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# **Daily Report—**

## ***Supplement***

# **East Europe**

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# East Europe SUPPLEMENT

JPRS-EER-93-029-S

## CONTENTS

9 April 1993

**NOTICE TO READERS:** An \* indicates material not disseminated in electronic form.

### INTER-EUROPEAN AFFAIRS

* Military Activity at Kosovo-Albanian Border [Frankfurt/Main <i>FRANKFURTER ALLGEMEINE ZEITUNG</i> 17 Mar]	1
--	---

### BULGARIA

* SDS Official on Personalities, Tactics [ <i>TRUD</i> 16 Feb]	3
* National Security Chairman Slatinski 'Lies' [ <i>168 CHASA</i> 16 Feb]	4
* Profile of BSP Official Filip Bokov [ <i>168 CHASA</i> 23 Feb]	5
* OKhDTs Deputy Vasileva on SDS, Politics [ <i>168 CHASA</i> 9 Feb]	6
* Dogan Explains Meeting With Zhivkov [ <i>TRUD</i> 25 Feb]	8

### CZECH REPUBLIC

* Situation of Slovaks in Czech Republic [ <i>LIDOVE NOVINY</i> 9 Mar]	11
* Status of Central European University Debated [ <i>LIDOVE NOVINY</i> 6 Mar]	11
* Entrepreneurs Association Tax, Insurance Principles [ <i>HOSPODARSKE NOVINY</i> 23 Feb]	12
* Economist Foresees Widespread Bankruptcies [ <i>HOSPODARSKE NOVINY</i> 26 Feb]	16
* Problems of Skoda Company Examined [ <i>EKONOM</i> 3 Mar]	18

### HUNGARY

* MDF Liberal Debreczeni Views Antall, Csurka [ <i>168 ORA</i> 2 Mar]	22
* Interior Minister Boross on Extremism, Media [ <i>168 ORA</i> 9 Mar]	23
* SZDSZ's Preelection Strategy Discussed [ <i>MAGYAR HIRLAP</i> 8 Mar]	24
* Orban on Preelection Relations With Opponents [ <i>MAGYAR HIRLAP</i> 10 Mar]	25
* 'Rolling Dollars' Probe: Communists Not Guilty [ <i>MAGYAR HIRLAP</i> 13 Mar]	26
* FIDESZ Clarifies Stance on Religious Education [ <i>MAGYAR HIRLAP</i> 8 Mar]	27
* Opposition Welcomes Madl's Education Bill Stance [ <i>MAGYAR HIRLAP</i> 12 Mar]	27
* Salaries, Personnel Ratios at Government Agencies [ <i>MAGYAR HIRLAP</i> 8 Mar]	28
* MNB Study on Effects of National Debt [ <i>PESTI HIRLAP</i> 4 Mar]	29
* Mayor Demszky on Antall, Budapest's Finances [ <i>MAGYAR HIRLAP</i> 12 Mar]	32
* Local Governments Budget Outlays Described [ <i>MAGYARORSZAG</i> 5 Mar]	33
* New Industry Minister Latorcaj Interviewed [ <i>FIGYELO</i> 25 Feb]	34
* Jan, Feb Budget Deficit Below Target [ <i>FIGYELO</i> 18 Mar]	35
* Clearinghouse Cancels Credit Card Agreement [ <i>FIGYELO</i> 18 Mar]	35

### POLAND

* Walesa Blamed for Slow Transformation Process [ <i>TYGODNIK SOLIDARNOSC</i> 19 Mar]	37
* Lepper Founds Broad-Based Political Movement [ <i>SPOTKANIA</i> 18-24 Feb]	39
* Press Denies Affiliation With Parties [ <i>RZECZPOSPOLITA</i> 3 Mar]	39

### ROMANIA

Roundtable Participants Question Foreign Minister ["22" 4-10 Feb]	41
* Hungarian Reformed Church's Enterprise in Oradea [ <i>Budapest KOZTARSASAG</i> 12 Mar]	48

YUGOSLAVIA

Macedonia

* Muslim Body Criticizes Turkish Party [VECER 4 Mar]	50
* Dynamics of Ethnic Albanian Parties Analyzed [NOVA MAKEDONIJA 27 Feb]	50
* Dissension, Leadership Change in MAAK [NOVA MAKEDONIJA 27 Feb]	52
* Parties on Prospects for Early Elections [VECER 6-7 Mar]	53
* Reasons for Stalemate in Legislature [NOVA MAKEDONIJA 6 Mar]	55
* Relations Between Region's Churches Examined [NOVA MAKEDONIJA 27 Feb]	56
* Discontent in Public Sector Examined [PULS 4 Mar]	57
* 'Indifference,' Problems With Lamb Exports [NOVA MAKEDONIJA 6 Mar]	58
* Economics of Macedonian Tobacco Industry [NOVA MAKEDONIJA 27 Feb]	59
* Record Sale of Macedonian Tobacco [NOVA MAKEDONIJA 10 Mar]	60

**\* Military Activity at Kosovo-Albanian Border**

93BA0790A Frankfurt/Main FRANKFURTER  
ALLGEMEINE in German 17 Mar 93 p 3

[Article by Viktor Meier: "At the Kosovo Border Soldiers Stand a Lonely Guard"]

[Text] Kukes, 16 Mar—The Morina border crossing, halfway between Prizren and Kukes in northern Albania, is the only crossing between Albania and Kosovo, the majority of whose population is also Albanian. It lies in an open, high-lying valley, through which the White Drin, which has its source in Kosovo, flows in the direction of Albania. Ahead of us on the other side the "Yugoslav" customs house built in a pseudo-Alpine style can be seen, still bearing the sign "Shop," and behind us is the Albanians' simple stone house. The region is almost barren and empty of people; low shrubs and sparse grass form the only vegetation. Although the crossing is officially open, only five or six people a week pass through. The Serbs are neither giving Albanians visas to visit to Blackbird Field (Kosovo polje) nor are they permitting the Albanians there to travel to Albania. At most a few so-called Gorans, who are Slavs of the Muslim faith living in the mountain region south of Prizren, may occasionally visit their relatives in Albania. An icy wind blows across the whole area.

The Albanian Government has invited us to look at their defense installations on the border with so-called "Yugoslavia." The Albanians want to show that Albania has or is building no offensive capability whatsoever at the border. It also wants to display its military conditions to the world and the fact that the equipment of its armed forces is so poor and obsolete that the West must urgently do something to strengthen the country against the Serbian threats and the consequences of potential complications in Kosovo. Albania is seeking cooperation with NATO, later on even membership—general secretary Woerner is expected in Tirana. Since the reform and tightening of its armed forces, the country now has only about 35,000 men in arms.

**Serbian Superiority**

So we stand here in the cold mountains and let the commander of the border division, a young lieutenant colonel, who has already participated in a brief NATO course, explain the situation to us. He has 1,500 active servicemen at his disposal, and in addition he is able, if necessary, to mobilize the same number of reservists in the Kukes region. He possesses a few old Soviet T-59 tanks from the 1950s, a battery of howitzers, two batteries of antiaircraft guns, and a couple of antitank guns, all of them old Soviet or Chinese products. He cannot expect air support, since Albania has only one "squadron" of old MiG 21s operational, as he says—perhaps 10 to 15 aircraft, which are all now stationed in the lowland.

Across all of Kosovo polje, however, the Serbs are keeping far in excess of 100,000 men in operational troops, mobile police forces and a territorial defense consisting of armed Serbian civilians on standby. At Prizren alone there are 7,000 men in active units, among them one armored brigade withdrawn from Macedonia, and in addition 3,000 mobile police with armored vehicles and approximately 5,000 Serbian territorial defenders in reserve. The imbalance is obvious. But, says the Albanian division commander, the terrain is favorable for defense. To be sure, the Serbs could get to Kukes, which lies about 20 kilometers behind the border, but further back rise the north Albanian mountains, and an advance would simply be impossible for the Serbs. The little bunker, of which there are many here as well, are useful for border defense, according to the commander, "but it was not necessary to build 300,000 in the whole country."

The question is whether the Serbs want to come at all. Political observers believe that they are not planning anything in Kosovo for now, since they already have the region firmly in hand and the Albanians are hopelessly underarmed for a rebellion. Albania's President Berisha, who right now is negotiating in Tirana with the leader of the Kosovo Albanians, the writer Rugova, concerning a joint strategy on the Kosovo issue, also believes that Serbia is aiming more at Macedonia than at provoking a massacre in Kosovo. This is facilitated by the Western politics on the Macedonian issue which are difficult to understand for Albania as well.

**Hardly Prepared for Refugees**

To be sure, there have been U.S. warnings with respect to Kosovo. These warnings, according to Berisha, are not quite clearly stated, but they are likely to indicate sufficient risk for the Serbs in order to keep them from the worst. Even so, according to Berisha, the "ethnic cleansing" is making progress. So far about 300,000 Albanians have emigrated from Kosovo due to the police terror and the economic distress deliberately provoked by the Serbs.

But, you never know, say the Albanians. The local government and the military have worked out a program for potential acceptance of refugees in case the "ethnic cleansing" in Kosovo were to start after all. But this poor region, all of which has been plunged into misery since work at the mines stopped, cannot take in more than 15,000 at once, and that is only for one day at a time. Then the people have to continue over the mountains. Just how that would be accomplished, no one knows. Otherwise there do not appear to be any major problems at the border. At least we are allowed to go all the way up to the border. Occasionally there are incidents; the Serbs shoot at people who want to cross the border illegally, mostly to visit relatives. This happens about once a

**INTER-EUROPEAN AFFAIRS****JPRS-EER-93-029-S**  
**9 April 1993**

month. There is hardly any smuggling here, in contrast to the border with Montenegro. Albanians who want to go from Kosovo to Albania travel via Macedonia and are scarcely bothered by the Serbs, it appears.

The poorly equipped Albanian soldiers who are serving here cannot be envied. They are wearing old overcoats, not even mountain tunics, and they have no gloves in the icy cold. Their howitzers are stationed in a gap, protected on both sides by cliff walls, in fixed prepared positions. In the event of air attacks they can be brought

into cliff shelters. Then they also cannot shoot, of course. Albania would in fact have little possibility of intervening in the case of complications in Kosovo. The alleged military cooperation with Turkey has not brought the Albanians any new weapons either. There is no arms embargo against Albania, but Tirana has no money. Further, the Albanian population is not likely to be pleased by an intervention in Kosovo. The Kosovans are "brothers," to be sure, but in spite of all they are still the ones who earn more, and so they can help themselves, as many people in Albania say.

\* SDS Official on Personalities, Tactics

93BA0754A Sofia *TRUD* in Bulgarian 16 Feb 93  
pp 1, 3

[Interview with Ms. Zlatka Ruseva, deputy head of SDS parliamentary group, by Valeriya Veleva; place and date not given: "Our Opposition Was Aimed at Restructuring"]

[Text] [Veleva] Ms. Ruseva, you are the deputy head of the SDS [Union of Democratic Forces] PG [parliamentary group]. Were you surprised by the fact that a group of your colleagues voluntarily left the group?

[Ruseva] There is something that I fail to understand. One cannot be elected with a ballot and a program, come here and be paid a salary for a full year precisely for being a national representative, and now come up and say: "I am an independent representative." How can you be independent? From whom are you independent? If you are independent of the people who elected you, this turns into political mockery. I have greater respect for Mr. Ginyo Ganev, who ran as an independent and, despite his popularity, failed to be elected. This, if you will pardon me, sounds a little bit odd. "I have been on board so far and now I drop you into the swamp, do whatever you want, now I am me." This is not only a juridical and a parliamentary paradox but also an absolutely immoral act. Many such things will come to us as a surprise in the course of our political life.

[Veleva] Your colleagues are complaining of the methods of authoritarianism in imposing resolutions, as being the style of the NKS [National Consultation Council].

[Ruseva] This is merely talk. Reality is different. We pass resolutions by voting. I cannot understand how these colleagues of mine could think so, what made them think of authoritarianism? There is authoritarianism if one individual or one party makes decisions and imposes them on all others. In the NKS discussions take place democratically and resolutions are equally democratically passed. Each party votes independently, and a majority viewpoint is reached. I cannot understand what kind of authoritarianism this could be?

[Veleva] What about climbing on trees and checking the voting cards, is that also democratic?

[Ruseva] This is somewhat childish, to climb trees and to observe who votes how. This was a self-initiative by some among our rather emotional colleagues, who wanted, although not motivated by bad feelings, to find out and say: "These people who voted are not one of us." As to displaying the voting cards, something invented by Mr. Al. Yordanov in the past, it initially confused the people but subsequently they stopped paying attention to it. However, I believe that the clearest case was that of the final vote under the government headed by Professor Berov, when in general we did not go to the ballot boxes and thus made our vote public.

If we had gone to the ballot boxes a story would have appeared, fed by questions and quarrels for a full month.

[Veleva] Is the SDS symbol becoming worn out, and is the euphoric nature of the meetings vanishing?

[Ruseva] In my view, a number of people tried to disappoint our sympathizers in the past three years. Look at how many idols of the SDS crumbled! How often have the people shouted "long live" and then said that they felt extremely stupid. I do not insult them, for I was one of them. I have my own theory that this was inevitable, for the opposition was structured like that in the other Eastern European countries where similar processes took place. These were representatives whose task was to develop the type of opposition that would result in a restructuring. That is why we should remember that on the steps, at the first meetings held on Nevski Square, there stood Chavdar Kyuranov, one of the founders of the SDS, along with Prodev and Anzhel Vagenshtayn. Some of those gentlemen who created that SDS had planned well but failed to take into consideration all the historical processes that subsequently developed, and not only in our country. Therefore, the fallout of such leaders and even of entire groups was a natural process.

[Veleva] Is it your view that the disappointment of the intelligentsia came not from the ideas but the people who are implementing them?

[Ruseva] I am far from the thought of claiming that everything we did was ideal. We had many omissions in our work with the young people. The intelligentsia is withdrawing, you are right. When we began to rule, people gathered in many places around tempting morsels of power. They were not our first choice, and they have not been with us from the very start. From these first people no one came to me demanding to be appointed somewhere or recommended for something. That is perhaps why the intelligentsia pulled back. We now must open the SDS precisely to the people who, in my view, were for us in their hearts but who did not participate in governing for objective and subjective reasons.

[Veleva] Do you have faith in the political sense and statesmanlike wisdom of Mr. Filip Dimitrov?

[Ruseva] I have always respected Mr. Filip Dimitrov. I believe that he is the example of a politician who developed in front of our very eyes. However, he is a politician for a developed democracy, whereas we are only a beginning democracy. That is why there were so many charges leveled at him, to the effect that his position was not sufficiently firm. I do not know whether there will ever be a more abused prime minister than he, or a government with more strikes than his.

[Veleva] Who gave him the idea of seeking a vote of confidence at the forthcoming SDS congress?

[Ruseva] I believe that this is not the best idea he has ever had. I look at that conference as something much

## BULGARIA

JPRS-EER-93-029-S

9 April 1993

more important: an opportunity to account for everything that took place, to see the pluses and minuses of our administration, and to think of how to regain power. There are two ways: one is through parliament, providing that a new majority is created, and the second is through elections. That is what matters. That is why I am hopeful as I wait for the conference and for the resolution of this issue.

[Veleva] Why did you so drastically stigmatize Mr. Ganev? Does this not shame us in the eyes of the world?

[Ruseva] I have not heard of any stigmatizing in the NKS. To me all that happened was terribly ugly. Perhaps being a woman I am more sensitive, although I have heard so many dirty stories said about myself. It is unpleasant but I try not to pay attention to them, for even if a person agrees to be crucified he would be unable to refuse them. As a woman I cannot have any respect for men fighting this way. About us, women, it is being said that we are quarrelsome, that we are scalmongers, that we virtually pull each other's hair. However, I believe that no two women have ever found themselves in such a situation. It is claimed that men are politicians and statesmen! If you are an honest and valorous man, please come and tell me personally all your accusations. I am a lawyer, I am a person of facts, and I do not like the telling of stories after which people pretend that nothing has happened.

[Veleva] Who will assume the leadership of the SDS PG?

[Ruseva] I think that it will be a man. This would be quite good for us, women, for Mrs. Mikhaylova and myself found this period quite hard (I begin to name people). Mr. Savov was unwilling to head the PG. Mr. Shotlekov works very well and could be of great use to us. Personally, I have nothing against him. I am unfamiliar with Mr. Dzherov's views on this issue. The one who is the most trusted will win the elections. The voting will prove this.

[Veleva] Do you read the newspaper TRUD?

[Ruseva] Yes. I am occasionally mentioned positively and sometimes negatively. Generally speaking, I never know why I am mentioned. I was named by your editor in chief in an article along with Mrs. Mikhneva, although I have nothing in common with her, and your editor in chief does not know me.... Of late all newspapers have been dealing extensively with the parliament and they all carry the same information. I would very much like for the newspaper to acquire a distinct personality.

\* National Security Chairman Slatinski 'Lies'  
93BA0760A Sofia 168 CHASA in Bulgarian 16 Feb 93  
p 14

[Article by Zoya Dimitrova: "Slatinski Lies Boldly Again"]

[Text] The president of the National Security Committee prepares his custom-made heroic retirement.

On 11 February 1993 the president of the National Security Committee of the parliament, in an interview for SVOBODNA EVROPA, quoted from 24 CHASA, asserted that the government was left without any preliminary information from the Intelligence Service concerning anticipated violations of the embargo along the Danube and "again made a decision by intuition."

"This is the regular nonsense of the president of the National Security Committee," according to Miroslav Durmov, a member of the same committee. "Mr. Slatinski feels threatened about his position as president of this committee; obviously he has a presentiment that perhaps someone will ask him to submit his resignation because of incompetence, and he is creating the halo of a hero. This question never was submitted for discussion in the committee. Since he is so worried, why didn't he submit this question for discussion to the committee? In my opinion, he is not only incompetent, but also immoral."

"I did not hear in the committee that this question is being discussed and I am far from convinced that it is so," declared Stefan Karadzhov. "These are stupidities. The government isn't complaining, but another person is complaining. I happened to be at the evening meeting when the government was supposed to react. From the remarks that I exchanged with certain members of the cabinet, I remained convinced that they had complete information."

"I think that this government has a spokesman, and it seems to me that I know him," Raycho Raykov said ironically. "Such an assertion as it refers to the barges on the Danube, to put it mildly, indicates misunderstanding of the problem, not to say of incompetence."

"With respect to this, if the government in general received or did not receive information from the National Intelligence Service (NRS), I have before me the last report written by the head of the 'Information Department' of the NRS, Mr. Dimitrov, and I can tell you that from 1 January 1993 to 12 February 1993 in all 73 intelligence reports were sent to the government. Fifty-five of them relate to foreign policy and economic matters and 18 to terrorism, narcotic traffic, and prohibited trade in weapons. Something more, General Brigo Asparukhov stated that the cabinet of Mr. Filip Dimitrov also was regularly informed and also was supplied information concerning violations of the embargo with Serbia and Bosnia-Herzegovina, made on the Danube River, transportation of strategic raw materials, petroleum, or weapons."

On 25 December 1992 the president of the National Security Committee, interviewed in this capacity of his by the Macedonian journal REPUBLIKA-7, declares the following concerning the "Mishevgate" case: "I can say that an enormous part of the information that was revealed by the director of the NRS, Gen. Asparukhov,

was untrue and tendentious, with the basic goal of discrediting and bringing down the government of Filip Dimitrov. The evaluation of many people from the SDS (Union of Democratic Forces) is, and this is also my opinion, that it is a matter of a well-thought-out and prepared act intended to discredit the present authorities." Nikolay Slatinski forgets that the decision of the parliamentary committee led by him on this occasion is that "our intelligence service performed its work professionally, after it received information concerning suspicious arms deals with the participation of a senior government official."

What national security interest does Nikolay Slatinski serve, after he has launched his thoughts abroad irresponsibly, involving the parliamentary committee?

**\* Profile of BSP Official Filip Bokov**

93BA0762A Sofia 168 CHASA in Bulgarian 23 Feb 93  
pp 16-17

[Article by Karmelita Deneva: "I Am Not the Politician About Whom It Is Necessary To Write"]

[Text] *Filip Bokov gives short interviews and can't stand political portraits.*

At the beginning of the month, the Fatherland Labor Party (OPT) from the Bulgarian Socialist Party (BSP) coalition in the parliament sought to recall Filip Bokov from the Parliamentary Assembly of the Council of Europe because he supported the protocol of the European Convention for Human Rights concerning minorities. According to the OPT he also violated the Constitution, which prohibits parties based on religious or ethnic precepts. The falsely accused deputy answered that with his vote in Strasbourg, for which they accuse him, he supported the idea that the rights of people belonging to minorities are guaranteed. According to him, this is a trend in Europe, and Bulgaria cannot remain outside it. His name began to be repeated frequently, and interest in him grew. Except for short interviews, Mr. Bokov has not accepted invitations for other conversations that have been offered to him by the press. He thinks that he is not the person about whom it is necessary to write. Valentin Vatsev, one of the leaders of the now former Alternative Socialist Association (ASO), says that Bokov became sympathetic to the party plebians after he declared at a plenary session that the likes of him now have to leave the corridors of party authority. Time will show whether Mr. Bokov is modest or realistic.

An inquiry by the Great National Assembly declared him to be one of the three most elegant deputies. Glasses with gold frames, often with a lit Bulgarian cigar, stylish suits, a pleasant voice, cold eyes—that is the Socialist Deputy Filip Bokov. However, at the time he did not get the applause of anyone other than the old Red ladies, because he did not conceal his sharp, even at times

sarcastic, opinions, which he gave to his political opponents. For this reason it even became known that the Blues sought to have him beat up somewhere on the streets of Sofia.

He is almost 45 years old, he was born in Sofia, studied international relations, worked as a diplomat and journalist, knows English, and worked in our embassy in London years ago. Son of a well-known party official and editor in chief of RABOTNICHESKO DELO, Georgi Bokov.

During the chaotic winter of 1989 for a short time he was spokesman of the government of Georgi Atanasov, and many remember how he proclaimed a government declaration against a meeting on the television. The meeting started out from the Southern park and reached the parliament, as the demonstrators carried placards with the inscription "Zhelyu Zhelev—President." At the time the government was indignant and said that Bulgaria has a head of government and he is Petur Mladenov. A little later this Mr. Bokov took possession of one of the windiest positions—head of the television. This also lasted for a very short time. The television decided not to broadcast directly the sessions of the 14th Congress of the Bulgarian Communist Party (BCP)—January 1990, for which the delegates blamed him.

His career as a deputy began in the summer of 1990. One of his defenders maintains that Filip Bokov often dashed off to football matches at the local fields (he also skis) because, and this is part of the preelection agitation, it was hard for him to get used to speaking at meetings.

Today, three years after he entered politics, he is not the same. Both Blue and Red acknowledge this. Filip Bokov has evolved and his membership in the OSD (Organization of Social Democrats) it seems is not a Social Democratic pose. Even some in the OSD are proposing him as a leader of the association after time. Professor Kyuranov said that at party plenary sessions and at meetings of the parliamentary group, the positions of Filip Bokov often are criticized on certain occasions, but later he proved to be right—"Boyadzhiev's blunder," for the need of an investigation committee concerning Lilov's immunity.

More than a year ago Bokov recognized that the only chance for the BSP was to become democratized, and he stays in it because he does not see Social Democrats in any other place. Dertliev's views were from the time of Kautski. The people became more and more leftist in their views, and there was no social base for right-wing politics even though there are right-wing parties which in practice speculated with leftist ideas.

Days before the elections in October 1991, in an interview Filip Bokov made the following prediction: "...An antisocialist coalition, which will last seven to eight months, will be made. They will sprout up. Then we will have some chance of forming a coalition with some of them. However, these coalitions will not last. And in a year and a half or two we will have new elections."

## BULGARIA

Filip Bokov was shadow foreign minister at the time of the government of Filip Dimitrov. They still consider him to be one of the people who has a knowledge of international politics. These are some of his opinions. He thinks that Stoyan Ganev began his diplomatic career with "fairly bombastic and unrealistic proposals and ideas" and an unfortunate staff policy. According to Bokov, the Parliamentary Committee on Foreign Policy, the leadership of which he did not succeed in entering, because the BSP in an internal vote preferred Filip Ishpekov, works formally. The reason is that its composition is nonprofessional, with the exception of several specialists.

He is following the Balkan conflict very attentively and thinks that "under no circumstances must Bulgaria interfere in the conflict in Yugoslavia. We share in the apprehensions that if that which has happened in Bosnia moves further south into Kosovo and then into Macedonia, the pressure on Bulgaria to participate in this conflict will be increased. I do not exclude the possibility of Bulgarian citizen volunteers or even that political organizations will stimulate volunteers. There is the question of what the behavior of the Bulgarian Government will be, will it permit such activity or not. I think that even if the conflict spreads to Macedonia, participation here and any other country may have tragic consequences for the Balkans."

**\* OKhDTs Deputy Vasileva on SDS, Politics**

93BA0764A Sofia 168 CHASA in Bulgarian 9 Feb 93  
p 12

[Interview with Representative Radka Vasileva of the OKhDTs, United Christian Democratic Center, spokesperson for the future Fourth Parliamentary Group, by Milena Dimitrova; place and date not given: "Proponents and Opponents Clash Over the Blue Idea"]

[Text] *"I fear for the SDS [Union of Democratic Forces], should Filip Dimitrov remain its leader."*

[Dimitrova] Where did the SDS make its mistake during its administration?

[Vasileva] Only those who do not work make no mistakes. The SDS governed. The main error, in my view, however, is that very few people were familiar with the secrets of governance. You may have read the book by Weber, *The Sociology of Domination*, about which there has been a great deal of talk lately, and which discusses a typical model of administration. Such models must have existed in all systems but have also caused a number of problems. This means ruling by a small group of people aware of the end objective. The rest are fooled with promises. Within the small groups, actually, there are even fewer people who are aware of the level of risk assumed in running the country. I also suspect that this small group was not selected in the best possible manner. Even the best of intentions of some people led to a betrayal of the hopes not only of the voters but of the

entire society. I can confidently mention the names of Mr. Filip Dimitrov's advisers.

[Dimitrova] Because of this the entire SDS was forced to stick its head in the sand?

[Vasileva] Yes. I had pinned all my hopes on Filip Dimitrov as one of the greatest democrats. He should have relied on and trusted more people. I was greatly surprised to hear Evgeni Mikhaylov, who is quite close to him, say that Filip Dimitrov felt in the first days of his administration like the lone knight in a cabinet in which he could trust no one. This floored me. Nearly 2 million voters cast their ballots for the SDS. This is a huge organization with many members and sympathizers. And then, all of a sudden, our leader says that he is alone, that he is surrounded by fear and mistrust in the SDS. This was monstrous! It seems to me that now as well, within the parliamentary group, Mr. Dimitrov is once again surrounding himself with only a small group of people he has selected, and that perhaps, once again, he considers them as some kind of saviors. However, I do not think that there will be salvation either for himself or for the coalition as long as he remains one of the symbols of the SDS.

[Dimitrova] What do you expect will happen to the SDS under his leadership?

[Vasileva] I fear for the SDS should it remain under Filip Dimitrov's leadership. The leader of such a large political organization must be a stronger person. I no longer see any political strength in Filip Dimitrov. I trusted him a great deal, perhaps I may trust him again if he were at least to change the circle of yes-men among his advisers and the deputies close to him.

[Dimitrova] What type of life do you predict for the new SDS?

[Vasileva] I see the new SDS as the real SDS, as a reborn SDS, for the 39 people who created the electoral coalition platform, surmounting differences in party ideologies, should return to that which united them in the electoral campaign. The authenticity of that movement, consisting of six parties and two movements, will be more clearly defined through the differences of the individual parties within the SDS. This will enable each one of them to have its own electorate. This rapid uninterrupted advance in keeping only our committed electorate limited the possibilities of the SDS to cover a broader share of the political space and to defend the interests of more groups of Bulgarian citizens.

[Dimitrova] What kind of SDS do you dream about?

[Vasileva] To me, the best variant is for the Radical Democratic Party and the United Christian Democratic Center to develop their own political space. That is where I would feel comfortable.

[Dimitrova] What is the view of the radicals concerning this idea?

[Vasileva] I cannot tell you that, as I do not have sufficient information coming from them. The information I have is conflicting.

[Dimitrova] You were chosen to be the speaker for the future Fourth Parliamentary Group. If you remember the way Verzhiniya Velcheva attacked from the rostrum her fellow-party member Marin Dimitrov for having become a member of the government; you could hardly hope for any kind of gentle reaction by the OKhDTs to your free-thinking way.

[Vasileva] I still link my hopes to the present coalition. Honestly said, however, I do not see how it could break the vicious circle and how some of the parties that have joined the winners would tolerantly withdraw from the NKS [National Consultative Council]. This is the fundamental reason, for settling relations between the NKS and the parliamentary group means, to us who signed the appeal, a return to the real nature of the SDS. This does not mean that I would like to be some kind of independent deputy who ignores the political will of the party that appointed him. However, I would like for the party which sent me to parliament to demand of me to continue to express its ideas and advance toward attaining its initial objectives.

[Dimitrova] Do you not fear that your views may clash with party discipline?

[Vasileva] They are clashing at present because I must obey the NKS. Meanwhile, the forces that demand elections are prevailing in the NKS. They are not represented in parliament. They are putting pressure on all other parties, making use of fear, persecution, and the syndrome of peeling themselves off. They are imposing their decisions on the representatives. Hence the clash with what you describe as party discipline.

[Dimitrova] Do you consider the dialogue between Stoyan Ganev and Filip Dimitrov proper?

[Vasileva] Not at all. I blame both, for they have no right to hold such a discussion. This is a rather serious matter and both realize that they cannot show proof when it becomes a question of state secrets and international problems that cannot be simply reported to the NKS.

[Dimitrova] On whose side are you?

[Vasileva] I cannot allow myself, even silently, to choose a side.

[Dimitrova] Do you view yourself as one of the new faces in the SDS?

[Vasileva] Absolutely yes, for I have experienced all the shortcomings of the Bulgarian intelligentsia: belief in tolerance, belief in the fact that reason will prevail, and belief that one must work on a different level that does not reveal all the tempestuous clashes within the coalition. However, this is with the realization that whereas sensible people become wiser, the crazies remain crazy.

[Dimitrova] How would you, yourself, describe this new face?

[Vasileva] All I can say is that I am a person involved with science and who is writing a dissertation on some interesting phenomena in pedagogy. I would not like anything else be known, for sometimes, in politics, personalities are described in too much detail and dishonorably.

[Dimitrova] Do you experience some discomfort from being a woman in the storm of politics?

[Vasileva] Naturally, I experience all the inconveniences. My family is divided, my child is alone, and I personally feel out of place.

[Dimitrova] Where is the child?

[Vasileva] The child lives with me. We live in "Druzhba." My child attends the fifth grade in the district school and dreams of the day mother will leave politics. My husband is an economist and works in a state-run social recreation company.

[Dimitrova] Are you not tempted, as long as you remain a representative, at least to change the district in which you live?

[Vasileva] In no case. I even rent my home. I have not even thought of being tempted. I cannot even see how this could be. My ambition is not all that high. Some politicians think that they become independent if they have a great deal of money. Others, like me, think that they are independent when they are not interested in such matters.

[Dimitrova] Why are you in politics?

[Vasileva] To begin with, I am already in it. I feel a certain moral obligation toward something I have spent a long time convincing the people, once I began to campaign. If I were to leave now, it would be a kind of admission that something in my views was not in order. In no case would I leave behind even any semblance of a doubt that something was not in order and that I ran away. This does not mean that I have decided to remain in politics forever. Actually, politics is not my occupation and I shall abandon politics at a more suitable time. I have an excellent profession, which is in education. I teach an optional subject at the university, "Models of Training." I am also working on my dissertation, something that is of great interest to me: "Game Approaches to Education," the concept of games in general as a cultural and mental phenomenon.

[Dimitrova] Do you blame yourself for something?

[Vasileva] So far, I have imagined that everything will develop favorably, somehow without my active intervention. Now I give my self a lower grade as a person who assumed a responsibility by becoming involved in politics.

[Dimitrova] You were born in Pazardzhik. Was this the only factor that drew you into the united center headed by Stoyan Ganev?

[Vasileva] I am from Kostenets but, actually, I have lived there very little. After high school I immediately went to the university and almost immediately won the post-graduate competition, and for the past five years I have commuted daily between Kostenets and Sofia to go to work. I met Stoyan Ganev at one of the meetings at the time that the ODTs [United Democratic Center] was being established. We founded it in Kostenets, and that is how it all began.

[Dimitrova] Where did you get the courage to abandon the silence you kept while in the back benches of parliament?

[Vasileva] No courage was needed to read an appeal on television. I needed courage to vote for the Berov government. I could see a catastrophe for the blue idea should elections be held as early as February. I cherish the ideas of the SDS. It did not matter to me whether it would have a majority or not. What mattered was to have a government and not to have elections right now. It was then that I harnessed my courage, telling myself that people like me were needed. I am not a famous politician. Even if I feel abused, I do not consider this all that important. What is much more important to me is the position adopted by Aleksandur Yordanov. I believe that he is essentially a democrat and in no case should have been subjected to everything we experienced. I wanted to see him free in his position.

[Dimitrova] People need to believe. Of late, however, they have experienced several successive disappointments in the personalities of the blue coalition. Idols were steadily created and brought down even faster.

[Vasileva] You are right. People became much more disappointed than optimistic. The people I meet with are confused and lack faith. They want something more than simply a blue emblem. They need a new idea which is also anticomunist but different in terms of style, behavior, and relations among politicians and parties. That is why a person must have both ambition and will power. I personally do not have a sufficient amount of both, but, one way or another, I must try to instill hope in the people.

[Dimitrova] It seems as though the voters have become tired as they watch the endless quarrels within the SDS and in parliament. How can you stand such quarrels as a representative and as a direct participant in the political struggle?

[Vasileva] I meet with my former colleagues virtually every evening. We live in the same block, and they are intelligent people, teachers. However, even they get tired of listening to me.

[Dimitrova] What else do you consider to be your weakness, for sooner or later a person looks at himself?

[Vasileva] My weakness is that I am not consistent. I fear that I would be afraid of seeing through to the end a totally confronting situation. This is not normally my view, this is not my corner. I would become hesitant as to what to do and thus disappoint the people. For example, although I am anticomunist, the system must be subject to an essential change.

[Dimitrova] Anticomunism alone would not make this clear.

[Vasileva] Yes, but this is a position I hold. One way or another, we keep accurate count of the people in parliament. We remain anticomunist. All that we can do is regroup as our views change.

#### \* Dogan Explains Meeting With Zhivkov

93BA0755A Sofia *TRUD* in Bulgarian 25 Feb 93 pp 1, 5

[Interview with Akhmed Dogan, leader of the Movement for Rights and Freedoms, by Valeriya Veleva after Dogan's meeting with Zhivkov, former head of state; place and date not given: "Zhivkov Is a Good Player, but I Am the Winner"]

[Text] [Veleva] Mr. Dogan, your visit with the former head of state shocked a number of politicians. In meeting Mr. Zhivkov, did you have to surmount some personal, some internal, feelings?

[Dogan] If by inner feelings you mean any embarrassment or some kind of awareness of the group and individual guilt related to the revival process, it is natural for any person to have some moral reservations, the more so since I am one of those who suffered as a result of this process. As a result of it I was jailed under very harsh conditions for three and a half years. As a politician, however, I must take into consideration the realities. If a party or group holds a certain position in the sociopolitical or economic life of the country, whether I like it or not I must establish some contact. Even as a negative experience, Mr. Zhivkov's activities and personality have been of great interest to me. In terms of a psychological contact and information, I insist on keeping in touch with the live memory of the real history of the country for the past several decades. The fact that we are still finding it difficult to take into consideration the negative experience, what must not be done, and what brought the country to its catastrophic situation, is a different matter.

My visit with Mr. Zhivkov was of a very complex nature. To begin with, who did what is of no significance. From the viewpoint of European standards, we must always take into consideration the conditions in which a former head of state lives, for potentially, from the political viewpoint of the past, he may possess information, knowledge, and impressions that are part of political life.

[Veleva] What was the idea that took you to Sekvoya Street in Boyana, and why precisely did you want to expose yourself to this living memory of our history?

[Dogan] At meetings or encounters with supporters of the DPS [Movement for Rights and Freedoms] I have frequently been asked, Why not meet with Mr. Zhivkov? The restoration process, as an objective, as a strategy, was not simply a wrong policy. It had another side as well: It endangered the lives of many people from the viewpoint of their ethnic awareness. This act drew the attention of the world, of Europe, to Bulgaria, because of the implied assimilation which subsequently became an open and even violent and shameless factor. It is necessary for us to consider the reaction: the birth of the Movement for Rights and Freedoms. We deem it an honor that the policy of the DPS concerning the rights and freedoms of the citizens and human communities has adopted the European model.

[Veleva] Were you able to fill in some blank spots of history and of the development of the revival process in terms of individuals, initiators, and organizers of that action?

[Dogan] I shall discuss this issue on another occasion. In terms of individuals, people, and boosters, in order to gain a real idea, you must have not only the facts but also psychological information. Establishing a contact with the person who was essentially in charge of managing that process was of great importance. Furthermore, I do not consider that I lost the fight in the restoration process. Therefore, winners should always go to the losers!

[Veleva] Should this meeting worry some people?

[Dogan] We have as yet to study the restoration process. Was it merely an internal whim that led to fatal consequences for the totalitarian regime? For it was precisely the restoration process that marked the beginning of the end of the totalitarian regime. Every Bulgarian citizen must realize this. Had there been no restoration process, perhaps for another year or so we would have been staring at the portraits to which we had long become accustomed.

Let me be specific: If any member of the SDS [Union of Democratic Forces] were to be disgraced and go to jail or be placed under house arrest I would go see him as well. For my own party gives priority to protecting and guaranteeing the rights and freedoms even of the condemned. I know what it means for a person to be sentenced and I know what an "execution cell" means! Many people who abuse the freedom they enjoy and who have quite easily forgotten the past should have a real idea of the purgatory through which a person goes when he is in the death cell in a prison or in "Razvigor." Individuals would assess such an event differently. Whether my objective was long range or current remains my problem as a politician. In no case, however, should this be interpreted as a random meeting.

[Veleva] Did a feeling of trust develop between the two of you? It seems to me that you are like Mr. Zhivkov in that it is hard for you to feel close to people.

[Dogan] By definition it can be accepted that Mr. Zhivkov and I were and remain opponents in principle. It can also be accepted by definition that on the one hand there is the executioner and, on the other, the victim. At the same time, however, one must take into consideration the dynamic processes which led to entirely different realities. Let me emphasize to you that there is a point of inner satisfaction to meet with a person who, in the final account, did not win the battle.

[Veleva] Is Mr. Zhivkov a person of the past? Is there any kind of influence on his part on contemporary sociopolitical life?

[Dogan] Mr. Zhivkov has an exceptionally good memory. I must insist on saying this to many of his opponents, mainly those on the left: He remembers things very accurately. Zhivkov's personality raises a much more important and more basic issue: the issue of individual and collective guilt. The blind rejection of Zhivkov's personality conceals something quite typical of the Balkans. We are once again acting from the viewpoint of either "crucify him" or shout "hosanna." I would ask many people, who now pretend to be very brave, and very far-sighted: What did they do to change the situation in Zhivkov's time? I am one of those with such self-awareness. Therefore, I visited Mr. Zhivkov with a different set of eyes.

[Veleva] Is that the reason for which his former comrades are not visiting him?

[Dogan] It was precisely from that viewpoint and, if you wish, also as a psychological experiment, that the compensatory mechanism has begun to operate in the public awareness. This is the mechanism of "Pilate has washed his hands." I, who did something real against the totalitarian regime and who suffered from it, have emerged in the final account on the forefront not as the loser but the winner. This is a trend which made its way and imposed a different model in the solution of such problems. That is why, by looking at him differently, I was able to talk with Mr. Zhivkov. However, the only opportunity available to those who remain silent or idle is to create various collages and stage sets, for this is the mechanism of guilt working. This is horrible! I have even seen people who have written little petty articles in various little petty newspapers between 1985 and 1989 and who now are heads of some publications and display a great deal of daring in their evaluations, asking why did this person meet with that one?

[Veleva] Did you expect such a reaction? Did something surprise you?

[Dogan] As a psychological experiment, this provides exceptionally valuable information on the moral foundations of the Bulgarian people.

[Veleva] Who of the two was the better chess player?

[Dogan] I do not consider in the least Mr. Zhivkov a weak player. A person who remained in power for 35 years cannot be a poor chess player. Even from this viewpoint, as a politician, I would have wanted to see him.

[Veleva] What did you learn from the former leader?

[Dogan] I did not directly raise the question of the restoration process. We discussed more general problems. However, the exchange of information between two people—a politician who determines the fate of the country and another person who, to a greater or lesser extent, bears the actual responsibility, is of great importance.

[Veleva] What will be the concrete, the real consequences of this meeting?

[Dogan] Time will answer this question.

**\* Situation of Slovaks in Czech Republic**

93CH0479A Prague *LIDOVE NOVINY* in Czech  
9 Mar 93 p 3

[Interview with Jan Mlynarik, representative of the Union of Slovaks, by LIDOVE NOVINY: "We Are Not a Fifth Column"]

[Text] Approximately 300,000 Slovaks live in the Czech Republic, and, after the breakup of the CSFR, they have become a minority nationality. We asked the chairman of the Union of Slovaks, the historian Jan Mlynarik, for an interview in connection with the statements of some politicians on their gloomy position.

"We have become a minority from one day to the next without wanting to. Because we have no interest in letting other people speak for us, we founded the Union of Slovaks in the Czech Republic. The problem of minorities is closely watched by the UN and the EC. If representatives of the Slovaks abroad or Messrs. Meciar and Zelenay should speak for us, it could complicate the CR's international position."

The Czech society and its political representation are not sufficiently aware, according to him, that the Slovak minority can become the subject of blackmail. "In the Czech lands, there are also Slovaks who could be a fifth column." In this connection, J. Mlynarik wants to make sure that the Union of Slovaks, which is striving for cooperation with the Czech political representation, is not confused with the Community of Slovaks, at whose constitutional congress the adviser to the Slovak Government, Roman Zelenay, was present.

"Our goal is to create a certain cultural base for Slovaks living in Bohemia and Moravia and to set up educational courses, lectures, cultural programs, dances, and evening discussions. We do not want to limit ourselves to cultural enlightenment and fraternal activities, however, but we are resolved to enter the political scene and to defend the interests of our countrymen, through citizens' initiatives or as independent candidates on the slates for the ODA [Civic Democratic Alliance], the ODS [Civic Democratic Party], and the Christian parties."

The inclination of some Slovaks to assimilate themselves into the Czech society is not considered correct by J. Mlynarik. "It is possible to change one's citizenship but not one's origin. To identify with one's own nationality definitely does not have to mean an anti-Czech line of thinking. The Union of Slovaks is indeed an organization by nationality, but it considers the civic principle as the basis for its activities.

**\* Status of Central European University Debated**

93CH0479B Prague *LIDOVE NOVINY* in Czech  
6 Mar 93 pp 8-9

[Interview with Jiri Musil, director of Central European University, by Jana Klusakova; place and date not given: "The Central European University—A Storm in the Cellar?"]

[Text] The Central European University was founded in Prague and Budapest in 1991. In Prague they are teaching sociology and political science, European studies, the history and philosophy of arts, and architecture. The driving force for the origin of this school was the desire to create a new type of university, independent of any national state. We are speaking with its director, Jiri Musil.

[Klusakova] Who are your students?

[Musil] The studies are at the postgraduate level—that is, for the graduates of higher schools—who can select from four annual courses in Prague. The lectures are basically in English. The admissions process starts with a demanding examination in English. The applicant must write an essay in English on a problem that interests him and get recommendations from two reliable professionals. With all of this, he then requests a stipend from Soros's Open Society Fund foundation in his own country. We advertise the beginning of each class year in the press. We are trying to go over gradually to a three-year postgraduate study program.

[Klusakova] Are there enough higher school graduates in the Czech lands who are able to meet your high demands?

[Musil] We have accepted every other applicant so far. We have young people from 18 countries around the world studying with us. In Prague, we have 23 Czechs (of the 150 students), and they are the second-largest group. The Russians are the largest, which is understandable, considering the size of their country.

[Klusakova] Do you also have students from the West?

[Musil] There are relatively few of them. Mr. Soros does not pay for their studies, and they work off the costs themselves in various courses, particularly language courses.

[Klusakova] Who are your teachers?

[Musil] Czech teachers form the basis for instructors in art history; when they are dealing with special themes, foreign experts assist them for brief periods—for example, Professor Rychert from the University of Pennsylvania, the philosopher Derrida, and others. The spiritual father of the sociology department is Arnost Gellner, a world figure in his field; originally from Prague, he served in a Czech unit in England during the war and then emigrated.

[Klusakova] Recently, clouds have been gathering over CEU [Central European University], and its existence in Prague is being threatened. Is it really because of the rents, which the Czech Government pledged to pay and now finds too much at 25 million korunas per year?

[Musil] Both the post-November governments showed a lax relationship to us. Pithart's promised that it would find building for CEU and then did nothing. Klaus's government considers the obligation to CEU as part of

the euphoria of the postrevolutionary months. None of the higher governmental officials have ever visited our school. The tabloid press emphasizes the uncontrollable nature of the investments and that the situation is simply clear. The commitment said that the government would provide a home for us or would pay the rent and would pay the wages of the Czech employees, which is 15 percent of the costs. The remainder is covered by Mr. Soros. Thanks to him, the school is very well equipped with computers and has an extensive library, costing \$800,000, which is constantly growing. Such a library saves on teachers; the students can study independently, and this does away with the obsolete type of instruction, where a burned-out teacher reads endlessly from his own notes, many years old, which is hard for both the teacher and the students and is, moreover, expensive. I fear that the thinking at our higher schools is not based very much on economics and that the teacher is often considered to be cheap capital.

[Klusakova] Is your library available to the public?

[Musil] Of course, and we are happy that the Prague higher school students have already discovered it. Through hundreds of fliers, we invite our colleagues and students from the other schools to interesting lectures. Some of them come.

[Klusakova] Will CEU withstand all of the pressures and remain in Prague?

[Musil] I believe it will, even though it is possible that it will be in a reduced form. After his unhappy meeting with the minister of education, Mr. Pitha, George Soros issued a statement that, in this situation, he will consolidate the administration and the directorship of CEU in Budapest. He is thus retreating from the original intention, according to which Prague was to be the main home of CEU.

[Klusakova] About what did the two gentlemen disagree?

[Musil] Mr. Pitha stated that the Czech Government cannot take on the five-year commitment because it is in a difficult financial situation. It considers the support of elementary and middle schooling more important. In this regard, I noted that the two projects are not mutually exclusive. Even the first republic had to economize, and, despite this, it developed a broad range of higher education and even generously helped universities abroad. We probably are also seeing the strong pressure of some directors here, who feel that the money Mr. Soros is investing in the Czech Republic should be given directly to them, and they would then improve Czech higher education. Our independence bothers them, and they consider us to be the initiators of unfair competition with the Czech higher schools. They more I get involved with this matter, the surer I am that the money is only a pretext and a very useful level against the location of CEU in Prague.

[Klusakova] What then do you see as the actual reasons for the opposition to CEU?

[Musil] There is a whole set of reasons. One of them is legalistic and could be overcome if there were goodwill on both sides. It has to do with the argument that, according to Czech law, it is not possible to designate an institution of our type as a university. Minister Pitha himself proposed to Mr. Soros that he change the title to "Institute for Continuing Studies," but CEU is registered in New York state as a university.... Other reasons are more serious and are political and ideological. The first arises from the isolationism here stemming from the feeling that the young organism of the Czech Republic coming into being should concentrate itself on its historical roots, be patriotic, and proceed from the tradition of the old Czech Christian state. A strong, independent school, with literature coming in from all over the world and high-quality and liberally thinking teaching staff, who offer the students several possibilities for their responsible selection and stimulate them to make decisions independently, is not in keeping with those efforts.

[Klusakova] Please explain the term "liberalism."

[Musil] It is not indifference or relativism, as is sometimes wrongly thought. Liberalism in the true sense of the word is service and freedom under the law.

[Klusakova] Can you name some Czech liberal?

[Musil] Karel Havlicek Borovsky, Ladislav Rieger, Ferdinand Peroutka...

[Klusakova] Could you explain how it is possible that, at the end of the 20th century in the middle of Europe, moreover, after the fall of the totalitarian regimes, a certain part of the Czech intellectuals has decided to stew in its own juices?

[Musil] If you have a cellar and you suddenly open the doors, you may fear the death of some plants that cannot bear the shock of the fresh air. I think that argument has some merit.

[Klusakova] Permit me to object; not all of them are dying. Also, with all due respect to CEU, it is not coming on like a whirlwind sweeping across the Czech plains.

[Musil] I agree with that. CEU only wanted to point out the possibility of other paths and to offer Czech education friendly assistance.

#### \* Entrepreneurs Association Tax, Insurance Principles

93CH0462C Prague HOSPODARSKE NOVINY in Czech 23 Feb 93 p 12

[Insurance, Tax Amendment Proposal published by Entrepreneurs and Professional Associations: "Principles for Updating the Laws on Medical and Social Insurance, on Taxing Receipts, and on Taxing Value Added"]

[Text] The Coordinating Council of the Entrepreneurs, Employers, and Professional Unions and Associations of

the Czech Republic requests an updating of the laws on insurance and several tax laws, as we have already reported. The experts group of the Coordinating Council has worked out the principles for these proposed updates, which we are publishing today in their full text and with justifications. The Coordinating Council is submitting these principles to the Council on Economic and Social Agreements of the CR [Czech Republic].

Taxation and social insurance are among the key factors affecting the development of a market economy. In the period of the transformation of our economy, it is also truly a primary problem area for the extent of private business undertakings as such. The proposal submitted of the principles for updating the laws on insurance and taxation strives for a partial modification of those laws, mainly to get rid of the discrimination against businessmen and other entrepreneurs, particularly in the area of medical insurance and social insurance, and so that the entire insurance system for such insurance is also simplified. At the same time, it proposes adjustments in the taxation of interest and dividends so that the existing conditions in our country and the global trends are respected.

The proposed changes in taxation and insurance represent only the most pressing and essential measures of the above type, in the interest of not upsetting the balance of public financing. For the future, we consider it essential mainly to reduce the direct taxation of enterprises and the populace and to introduce an ecological tax. Those submitting it are aware of the impact of an ecological tax on the costs of enterprises and the prices of the products involved, but they are conscious of the necessity for such taxes to be put in place, particularly given our unfavorable ecological conditions. The income from ecological taxes will also replace the loss of revenues from taxes on receipts as a consequence of a reduction in the tax rates to a level of less than 40 percent, which we consider must be implemented by 1 January 1994.

The social security contributions (for insurance) were not in conflict with the Finance Council's resolution of 22 April 1991 concerning the tax system. Of the possible concepts of social security contributions and direct taxes, one of the most complex concepts was adopted. Moreover, the concept of medical insurance was a totally isolated one, which nowhere in the world is separated from health insurance. The separation of provision of medical care from the allotment for illness increases, among other things, the costs for social security.

The principles for updating the laws that are being submitted do not include a change in the premium or tax rates, but only make the basis for calculating them consistent. This does not mean that higher rates would be tolerable or that it would not be possible to at least reduce the state subsidy, specifically for health insurance, still this year. The 13.5 percent premium rate would be enough to replace the entire insurance against sickness (including health care) and, in principle, without state subsidy. According to the applicable laws,

13.5 plus 4.8 percent of earnings go for these purposes. It is essential to carry out a thorough analysis of the high costs, particularly for health insurance, and to push for lowering them, with the savings going to benefit the implementation of the proposed measures. The inclusion of today's health insurance into the insurance against illness will also lead to savings.

With a small compensation measure in relationship to the public financing, we can abrogate the provisions of Paragraph 15, Section 1c of the law on taxes on receipts, according to which the basis for taxes is lowered by 12,000 Kč [Czech korunas] per year for a wife (or husband) living with a taxpayer in a common household, if she or he does not have income of her or his own exceeding Kč20,400 annually. Furthermore, some of these people would not pay further premiums on health insurance (according to principle 1).

For now, the nonprivatized state sector has been placed in a favorable position by the tax reform. Simply stated, there was an increase in the prices by the value-added tax, and the reduction in the rates of contribution for those enterprises for social security from 50 percent to 36 percent made it possible to increase the level of wages proportionally. Both are sources of further inflationary expectations and the growth in interest rates, which actually impact most on the real private owners, especially the smaller and smallest entrepreneurs. This stratum of the populace, which should be the breeding ground for the newly forming effective system of running the economy, was hit hardest by the tax reform. The tax burden (including insurance) has increased and is above the level of taxation for employees. The advantages granted so far in this area have now been abolished, and some discriminatory measures persist. There has also been an increase in costs (also as a consequence of the state housing policy as it is practiced). In relation to these problems impacting on the small and medium-sized entrepreneurial group, the measures proposed are only the minimum essential for the survival of those entrepreneurs.

#### Principle No. 1

The assessment base for calculating the premium for health insurance and the premium for social security and the contribution for the state employment policy is unified for all branches of this insurance. For employees, this assessment base is the actual earnings achieved, and the minimum boundary is abolished. The assessment base of the employer is the aggregate of the employees' assessment bases. The assessment base for self-employed persons is the contractor's earnings, which the entrepreneur determines to be at least Kč13,200 if last year's receipts (after calculating expenditures) amounted to at least Kč60,000. In a case where these receipts amounted to less than Kč180,000, the minimum contractor's earnings are Kč26,400. If these receipts did not exceed Kč540,000, the entrepreneur sets the contractor's earnings at a level of no less than Kč39,600. For receipts over Kč540,000, the contractor's earnings must amount to at

least Kč52,800. In a case where an entrepreneur has income from more than one enterprise, he is subject to this system of calculation only in the company where he achieved or is achieving the greatest income. People without taxable income do not pay the premiums. Income from capital property is not subject to payment of these premiums.

**Justification:** The lack of coordination of the contributions for social security with the taxation of income and the exclusion of health insurance from the system of premiums for social insurance have resulted in unjustifiable differences between the assessment bases for health and social insurance, and the premiums for health insurance have begun to be also paid on income without any connection to the area of employment (income from capital property and rents) or is also required from people without taxable income (some of them housewives). In practice, cases even arise where the health insurers require payment of premiums from the individual incomes from capital property independently, or these incomes are taxed several times. The establishment of an assessment base for self-employed persons at a level of 45 percent of the difference between their incomes and their expenses is not tied to the makeup of this base for the main category of the socially insured, which is employees.

Reconstruction of the tax base for these entrepreneurs (in the form of contractor's earnings, which is analogous to the earnings of an employee for all purposes of social insurance) leads to the maximum possible unification with the employee's social insurance and gets rid of the unjustified charging (45 percent) of the entire difference between income and expenditures for purposes of social insurance. The overall burden of the entrepreneurs by premiums and taxes on receipts is slightly reduced to below last year's level for a majority of them (the specific level will depend on the selected level of contractor's earnings). In this connection, we draw attention to the marked imbalance in the existing burden on income for employees and for entrepreneurs resulting from the method of calculating the premiums by what is, in fact, a unified aggregate rate, but for employee earnings by a combined deduction (13.5 percent) and surcharge (36 percent) and for entrepreneurs' income exclusively by a deduction (49.6), so that the difference in charges is 13.1 percent.

#### Principle No. 2

The aggregate rate of premium (49.5 percent) and its division into the portion paid by the employer (36 percent) and the employee (13.5 percent) does not change. The employers pay the total premium to the okres social security administration.

**Justification:** This principle pursues a significantly more rational operation of social security (including the existing health insurance). The aggregate level of premium rates does not change, and the employers and other entrepreneurs will pay the premiums in a single

payment to a single social insurer, or now to the okres social security administration. Further splitting up of the premium among the branches of social insurance and insurance companies is not a matter for the entrepreneurs and will be established by law.

#### Principle No. 3

Old age and invalid pensioners who are self-employed pay only the premiums for health insurance from the assessed base, according to Principle No. 1.

**Justification:** This provision classifies and unifies the rules for payment of the premium by retirees. If the retiree does not pay the premium for social insurance, supplemental demands from this insurance cannot in any eventuality be placed on him. At the same time, we get rid of the favoring of retirees in the payment of premiums for current health insurance, which have been explained by the fact that the state pays the premium for them at a level of 77 percent of the minimum wages. The proposed low premium for pensioners also has social reasons.

#### Principle No. 4

Self-employed people pay the premiums regressively, the same as other enterprises (thus never before the beginning of the month for which they are paying). During a period of payment of benefits from insurance against illness, the premiums are not paid.

**Justification:** Regressive payment of premiums is being introduced under the same conditions as those of other organizations. Getting rid of this discrimination will result in a one-month halt in premium payments for self-employed persons. Application of the principle of not paying the premium during a period of payment of benefits from insurance against illness gets rid of the existing discrimination against entrepreneurs.

#### Principle No. 5

Self-employed people pay an advance on the income tax of private individuals according to the last known tax liability, if it was greater than Kč100,000.

**Justification:** The purpose of increasing the boundary for paying advances on income tax of entrepreneurs from Kč10,000 to Kč100,000 is to give preferential treatment to small businesses and to reduce the volume of administrative work. Those entrepreneurs will pay off the balance of the overall tax within the time limit for submitting the tax return.

#### Principle No. 6

Interest and other earnings from savings, life insurance benefits, and similar income of private individuals and legal entities in the domestic currency are not subject to taxation.

**Justification:** In market economies, interest and other earnings from savings are taxed as income at a more

favorable rate, the same as now in the CR. In addition, in a number of countries, interest is not taxed at all up to a limited amount. In the leading market economies, inflation amounts to a few percent annually (roughly 2 to 4 percent), while the nominal interest rates are, on the average, 4 to 6 percent higher. While the real interest rate is thus significantly positive in other countries, here it is the contrary, and the real interest level in the CR is actually minus 10 percent. Each saver thus pays for the growth in prices, and those enterprises that do not succeed in passing on the growth in costs into the growth in prices are similarly affected. By taxing interest, the state makes this problem noticeably pressing. It is therefore proposed that we quit taxing interest, other than interest paid from abroad and from hard-currency deposits in domestic banks, where the real interest level is or could be a positive one. The existing taxation of interest leads to more expensive sources of credit for the entrepreneur, which is particularly undesirable under the conditions of a shortage of those resources. The taxation of life insurance in the advanced countries is usually to a lesser extent than taxation of interest and is moreover accompanied by subtraction of the premiums from the basis for the income tax. Our introduction of taxation "of benefits from insurance in the case of living to a given age or from pension insurance other than the social insurance fund reduced by the payment of premiums" is, moreover, connected with the indirect costs of the insurance companies, the majority of which exceed by many times the tax collected (a few korunas).

**Principle No. 7**

The double taxation of the shares in profits (dividends) and similar income is done away with. If this income from domestic enterprises is already charged once with income tax, it is not subject to income tax for private individuals or other legal entities.

**Justification:** Double taxation of dividends and similar income exists in its full or partial form in a number of advanced countries. The modern concept of a tax system opposes this, however, where the income tax of legal entities (or the corporate income tax) is supplemented by

taxes on the income tax of private individuals (or an individual's income tax). That is, the two taxes form an integrated whole. Double taxation of dividends and similar income is discrimination against the corporations and limited liability companies.

**Principle No. 8**

Meals provided is removed from charges of value-added tax at the rate of 23 percent.

**Justification:** The problem of taxing meals provided is that it is a tax mainly on an entirely decisive share of those who do not pay value-added tax for business in those services. As a consequence, the larger enterprises are not competitive. In addition to shifting them into services taxed at a 5-percent rate, it is possible to resolve this problem by a substantial reduction in the boundary for mandatory inclusion of all enterprises or entrepreneurs, among those paying value-added tax—for example, to Kč1 million up or to Kč100,000 annually.

**Principle No. 9**

A person paying value-added tax can apply the statement of turnover tax and import tax in the transition to the value-added tax for unfinished products and supplies of finished products of his own production, with the use of the coefficient of the average tax deduction for the inputs to the unfinished products of the entrepreneur on the basis of the inventory of 31 December 1992.

**Justification:** The entrepreneurs who did not pay the turnover tax in 1992 had supplies of unfinished products (products in progress) and their own finished products as of 31 December 1992, when they went over to the new tax system. If they became persons paying the value-added tax, by law or voluntarily, as of 1 January 1993, their products are subject to double taxation because, in addition to having paid the state a turnover tax on the inputs to this property in 1992, they must pay taxes in 1993 on these goods (either in the form of finalized uncompleted products or as supplies or already finished products) again. (In such cases, they do not have a claim for a deduction for taxes paid on the inputs.)

**Proposed Premiums and Taxation for a Self-Employed Person  
(married, with two children, and the wife works)**

Annual Income	Contractor's Earnings	Premium of 49.5 Percent	Tax Base	Income Tax	Tax and Premium	Percentage	Net Income
26,400	13,200	6,534	0	0	6,534	24.8	19,866
30,000	13,200	6,534	0	0	6,534	21.8	23,466
40,000	13,200	6,534	0	0	6,534	16.3	33,466
50,000	13,200	6,534	5,000	750	7,284	14.6	42,716
60,000	26,400	13,068	8,500	1,275	14,343	23.9	45,657
70,000	26,400	13,068	18,500	2,775	15,834	22.6	54,157
80,000	26,400	13,068	28,500	4,275	17,343	21.7	62,657
90,000	26,400	13,068	38,500	5,775	18,843	20.9	71,157
100,000	26,400	13,068	48,500	7,275	20,343	20.3	79,657

**Proposed Premiums and Taxation for a Self-Employed Person  
(Continued)(married, with two children, and the wife works)**

Annual Income	Contractor's Earnings	Premium of 49.5 Percent	Tax Base	Income Tax	Tax and Premium	Percentage	Net Income
26,400	13,200	6,534	0	0	6,534	24.8	19,866
110,000	26,400	13,068	58,500	8,775	21,843	19.9	88,157
120,000	26,400	13,068	68,500	10,700	23,768	19.8	96,232
200,000	39,600	19,602	141,900	26,475	46,077	23.0	153,923
300,000	39,600	19,602	241,900	55,808	75,410	25.1	224,590
400,000	39,600	19,602	341,900	87,808	107,410	26.9	292,590
500,000	39,600	19,602	441,900	119,808	138,410	27.9	360,590
1,000,000	52,800	26,136	935,400	309,360	335,496	33.5	664,504
2,000,000	52,800	26,136	1,935,450	769,238	795,374	39.8	1,204,626
5,000,000	52,800	26,136	4,935,400	2,179,238	2,205,374	44.1	2,754,626

Note: The above values for the contractor's earnings are the minimum amounts.

**\* Economist Foresees Widespread Bankruptcies**

93CH0462B Prague HOSPODARSKE NOVINY in  
Czech 26 Feb 93 p 9

[Article by Milan Matejka, a professor at the Economic University; "Fictitious Profits Are Not Taxable"]

[Text] The financial situation of the majority of our large and middle-sized enterprises is very bad, and, according to T. Jezka's estimates, about 30 percent of the manufacturers are facing bankruptcy. The goal of this article is to point out one of the neglected reasons for the situation, the taxation of enterprises, which is incorrect from the market standpoint.

As a consequence of delaying implementation of the law on bankruptcies and the tax anomaly connected with this, in the years 1990-1992, there were excessive taxes drained off from the enterprises into the state budget. This made the financial positions of the enterprises significantly worse, and a larger number of them were led into a bankruptcy situation than would have been the case under normal market conditions. The delay in applying the law on bankruptcies, on the other hand, incorrectly helped out the state budget, and a fiction was created of a relative macroeconomic balance in the Czechoslovak economy, of which the government economists boasted.

**Fictional and Actual Profit**

In the market economy, profit is a category that is basically connected with monetary receipts. Profit is therefore tied to production that was actually paid for within the time limits agreed upon. Over a longer time, it is not possible to show and to tax a fictitious profit connected with production that has been sent out and billed to customers who have proved themselves to be insolvent. The value of such production is included in the losses after the insolvency of the customer has been

demonstrated, and there is compensation for overpayment of taxes by not paying taxes until such time as the loss is balanced out by profits from other production. If a given customer who has gone through bankruptcy by the rules later pays the amount owed, or some part of it, (for example, by selling off property), that amount is again included in the supplier's receipts. The majority of the bankruptcies, however, are connected with losses for the suppliers.

This principle, one of the basic ones for a market economy, was not respected in Czechoslovakia until the end of last year. Taxes were levied even on the profit calculated for production for which insolvent customers did not pay, even many months beyond the time limits for payment, and who did not go into bankruptcy only because the law on bankruptcies was not in effect. The creditor enterprises could not expect compensation for the tax "overpayments" even after the law on bankruptcies went into effect this year because the years 1990-1992 were closed out on the books.

**The Risk of Trade**

The governmental economists and some journalists maintain that the enterprises brought about this situation themselves because they did not pay attention to the solvency of their customers and that, from the standpoint of the government, everything is in order. However, we cannot accept that. Running a business in a standard market economy is connected with many risks, among them the risk of trade that the product manufactured will not be sold or that the customer will not pay. It is not the custom to sell for ready cash, and no one has an absolute certainty that the goods sold on account will be paid for (if they have not been insured, which, of course, increases the costs and lowers the profit for the business owner). Losses under the category of risk of trade are the equivalent of any other losses in the market economy and therefore cannot be called receipts and taxed as such.

Immediate payment for the delivered products "for tax purposes," which is being introduced here to correct the defect in the legal code, is a return to the economic Middle Ages and has many disadvantages. It is evident that the conditions of payment of our manufacturers are stricter than the conditions of payment of their foreign competitors, which makes our products harder to sell.

#### **The Consequences for the Enterprises**

The enterprises have been cruelly driven down by the billing and taxing of fictitious profits for several reasons.

Just the loss itself in the category of products for which the customer has not paid is a hard blow for the enterprise. The money paid out for materials, wages, and other costs for the given product ends up being spent for nothing. The loss must be made up with the profits from other products, which can be very costly and involve a longer period of time. Moreover, if the enterprise has to pay taxes on the losses, the situation is made even more difficult.

The first reaction of the enterprises is to limit or stop investments. The obligation of paying taxes on fictitious profit can lead to the crossing of that critical boundary where even stopping investments does not resolve the financial situation. The enterprise runs up debts with the bank to pay the taxes or ceases paying its own suppliers. Both of these steps have negative impacts on the economic results. The costs of further production are burdened with debt payments with interest or penalties. Moreover, the chain reaction of inability to make payments spreads, which means a growth in the share of production not paid for within the time limits, the growth of fictitious profits, and irrational taxation.

Bankruptcies will now be more frequent as a consequence of the aforementioned anomaly as compared with conventional market conditions, for two reasons:

—Enterprises can reach the critical values of the financial indicators for declaring bankruptcy just from the category of payment of irrational taxes. If the enterprises had the write-off resources available, as well, it would not have to be a reason for declaring bankruptcy.

—The necessity of paying irrational taxes has limited the possibilities for investing and modernizing, which has led to a loss of competitiveness and made the economic results worse. The increased indebtedness of enterprises to the banks and in the chain of supplier-consumer relationships from the category of irrational taxation has also shown up as a negative effect in the overall economic results. The road to bankruptcy for many enterprises was thus a consequence of irrational taxation, either artificially begun or at least accelerated.

And because irrational taxation was connected with delaying implementation of the law on bankruptcies, it is

possible to say that this delay generated the bankruptcy situation that now affects an unnecessarily high number of enterprises.

#### **The Macroeconomic Consequences**

The redistribution of money from the business sphere into the state budget through delay of the law on bankruptcies going into effect was favorable for the government in the short term. It was easier for them to balance the state budget, which is closely studied, especially by the International Monetary Fund. The IMF and the other international financial institutions could thus be deceived because they work only with the macroeconomic figures and do not see behind the economic scenes.

It is not possible, however, to deceive the economy as a whole through tax manipulations. On the contrary. As I have already explained, the tax anomaly had an unfavorable effect on the performance of the enterprises and thus also on the entire product of the national economy. Over the long term, the state treasury will also suffer from it. It is thus also clear why, under conventional market conditions, fictitious profits are, in principle, not taxed.

#### **The Silence of the Enterprise Managers**

The question naturally arises as to how it is possible that, with the exception of some economists, no one protested against this harmful tax anomaly. I see two reasons: ignorance and interests.

As far as the IMF is concerned, its main interest is to demonstrate to the world the success of the therapy it has prescribed for us. It is thus not in its short-term interest to raise doubts about the budgetary management, which at first glance appears reasonable.

The silence of the domestic political and economic opposition can be explained only by ignorance. Enlightenment is thus necessary here.

More noteworthy is the silence of the enterprise managers. Certainly, a majority of them do not have the necessary overview of the world market standards. But personal interests also played their own role. The management of the state enterprises (including state corporations) after all was and still is compensated in connection with the profits, including fictitious profits. If the enterprise managers had insisted on the application of market standards, they often would have lost a lot of money. It is also necessary to see that the managers of enterprises that have been proposed for privatization prefer short-term profits and an overall short-term viewpoint to the long term. They also do not know whether they will keep their jobs.

As of this year, the tax anomaly is basically already rectified. Economic rationality speaks out unambiguously against it. However, no one is capable of rectifying the harm done by this anomaly in the years 1990-1992.

The government's move for macroeconomic balance and microeconomic peace has hit us all, and it will still be very costly, including the unnecessary bankruptcy of enterprises. The government should explain this founders of the economy. It cannot excuse it by saying that it was not aware of the defect in the taxation because of the flood of other worries.

#### \* Problems of Skoda Company Examined

93CH0462A Prague EKONOM in Czech 3 Mar 93  
pp 30-32

[Article by Alena Adamkova: "The Healing Is Dragging On (and Getting More Expensive)"]

[Text] The critical situation at Skoda Plzen has been filling pages of the Czech press for almost half a year now. We wrote about it in the article "It Won't Work Without Radical Cuts" (EKONOM No. 42/1992), where we analyzed its causes and possible ways out. We now return to the subject in order to find out what has been done since that time to preserve this largest Czech engineering giant, in which more than 25,000 people work.

#### A Brief Recapitulation of the "Skoda Works Case"

On 17 September of last year, it was announced by the chairman of the board of directors at that time, L. Novotny, that on 28 September there would begin a widespread layoff, which was forced on them by the economic situation that had developed, especially debt to the CSD [Czechoslovak State Railroads] and the high loan burden from the past.

On 1 October, the layoff actually began, but it was far from widespread, affecting finally only about 1,200 employees from five plants. The layoff ended at the end of October. In the meantime, L. Novotny was removed from his job.

On 14 October, the Czech Government approved a resolution in which it decided to help Skoda, conditional, of course, on its effecting extensive restructuring measures. The nature of this aid was supposed to be forgiveness of debt to the amount of Kcs1.89 billion (compensation for losses from the government's nuclear program), concluding leasing contracts for leasing 60 locomotives, which the CSD was to take over, and the promise of guarantees for the ecological and nuclear security in the case of the creation of joint enterprises with foreign partners (which was a condition that so far has prevented the creation of joint ventures with the Siemens company). The government also agrees to Skoda Plzen's issuing bonds, which the Commerce Bank is supposed to buy.

On 21 October, the National Property Fund announced a public contest for the sale of 34 percent of the shares of Skoda Plzen, Inc. On 29 October, the public contest was evaluated. The owners of 34 percent of the shares were supposed to be the former general manager of the Skoda

works, Eng. Lubomir Soudek, and a consortium of the Commerce Bank and the Investment Bank, which are guaranteeing the financial bailout of the enterprise. L. Soudek was elected chairman of the board of directors and also became general manager.

On 1 December, an extensive restructuring program began in the Skoda works. All of the plants from that date have separate accounts and start independent management and prepare themselves for a transformation into limited liability companies, which the government has also recommended. The validity of the preliminary agreements with the Siemens firm on founding the Skoda Energo and Skoda Transport enterprises is terminated and the negotiations start over from the beginning.

On 18 December, the Consolidation Bank rejected the Skoda works' request for forgiveness of debt. Skoda Plzen was excluded from the CKD-AEG-Siemens consortium, which was supposed to supply the new cars for the Prague subway system. Discussions with Siemens continue, but the demands of the two sides differ significantly.

In mid-January 1993, the minister of finance, Kocarnik, sent Prime Minister Klaus a faxed message, in which he pointed out that the Skoda works had already had its debts forgiven once (of Kcs1.5 billion) and that a further forgiveness of debt would, in a situation where the enterprise is not adequately restructured, represent a dangerous precedence for the other giant enterprises and would not have the proper effect. He proposed breaking up the concern into independent corporations, whereby the general management would be transformed into a specialized fund administering the shares of Skoda Plzen as a whole. He also protested against the planned leasing of 60 locomotives, for which the government is supposed to pay. The Skoda Plzen management and the trade unions reacted with an announcement saying that the government was not keeping its promises from October of the previous year and was thus contributing to making the financial situation of the concern, which is again faced with collapse, even worse. The unions decided to call a protest meeting.

On 26 January, things quieted down somewhat after the Skoda works account received Kc915 million from the Commerce Bank and the Investment Bank for the bonds sold. However, the concern's management and unions demanded the fulfillment of the other governmental promises as well for forgiveness of debt; resolution of the sale of the 60 disputed locomotives that Skoda Plzen and the CSD (now the CD) have taken to court; and the transfer of the shares to the winners of the public contest. They argued that the restructuring measures, a necessary condition for providing assistance, were already taking place, but the government considers them just the "first step."

On 5 February, the Ministry of Privatization agreed with the founding of 22 new companies with limited liability as the supplement to the Skoda works privatization project proposed. According to the concern's press spokesman, J. Hudec, this indicates that they have already convinced the government about the continuing restructuring and that the government could soon begin to keep its promises.

### Changes Just on Paper?

At first glance, not much has really changed here. If we drive through the whole enormous site, a feeling of hopelessness hits us—we see everywhere piles of cut scrap metal, even an entire train cut up and obviously left here for many years, and everything overgrown with urban weeds. In the main courtyard, we then find several of the famous 60 locomotives, for a change covered with fallen snow. Since the beginning of the year, practically no one has been let go, despite the critical economic situation, but a number of people, particularly the best ones, have left on their own, generally for private firms. The people are moving apathetically and obviously are not keen on their work with the low wages they have in the Skoda works (averaging about Kč4,500), but a number of them reportedly are in business for themselves after work, some even right on the site of the enterprise, where they can use the telephone and the fax for free. The situation is obviously best described by the statement of one of the employees with whom we spoke when he said, "Here we still have socialism."

After Eng. Soudek took up his position, the apathy disappeared for a while, and people believed that rapid privatization and the transfer into private hands could lead the enterprise out of the crisis. Constant haggling with the government is now occupying so much of Soudek's time, however, that he has almost none for the internal reorganization of the enterprise. People are fed up with the fact that the government has not yet kept its promises, and so skepticism has again replaced the euphoria.

### The Trade Unionists' View

For now, the trade unions (and reportedly the majority of the employees, as well) are behind the new director, and, until the current troublesome situation is clarified, they have even abandoned for the time being the negotiations on the content of a new collective contract and are waiting things out. According to the executive secretary of the trade union organization, O. Paulik, the creation of independent limited liability companies is a good springboard for the economic transformation. However, it is a matter of getting a chance to make a running start so that the Skoda works in the meantime do not go bankrupt. But it would be very difficult to show which of the plants are viable and which are not because their initial conditions for starting up will be so bad that it will not be possible to make a running start. "The money for the bonds will go to close up the largest wounds, and all profits will go to pay the interest on the loans. Moreover, the money for the bonds is also a common loan, for which we will pay 18 percent interest."

The union members are demanding that the government keep its promises (they consider its demands for rapid restructuring to be too tough), accelerate turnover of the enterprise to the new owners, and limit its intervention. (In essence, they thus at the same time request a write-off

of the money for the locomotives and higher debt forgiveness, almost Kč3 million, and also want the government to stop taking an interest in the Skoda works and not interfere with the decisions of its management.) According to O. Paulik, the unions have retreated to the very limit of profitability, but, by 31 March, they would like to sign a new collective contract (the old one is valid until that date), in which there would be resolution of the questions of wages, length of vacations, and so forth. If that does not happen, they would have to bring the operation of the enterprise to a halt. The unions do not insist that layoffs will not be permitted, but they are dissatisfied with the low wages. (There is thus a danger that the money from the debt forgiveness could be squandered in higher wages.)

As far as the negotiations with the Siemens firm are concerned, the union members believe that the contracts prepared would be too disadvantageous for the Skoda works for them to be able to sign. They also feel that, if the Skoda works had signed them, the government's attitude would be more accommodating. They accept the position of director Soudek as regards Siemens, but, by doing this, he takes upon himself the risk that he will have to ensure that the orders are filled even without Siemens. In principle, then, the union members are not pleased with the majority input of foreign capital into the enterprise or about the fact that Siemens was willing to employ a maximum of 4,500 people and had no interest in the others.

### The Management's View

The vice chairman of the Skoda Plzen board of directors and also the manager of the Turbiny plant, Eng. L. Tetal, (the manager, Soudek, was on trips abroad, drumming up orders at the time we wrote this piece), in comparison with the unionists, makes a far more optimistic impression. The report that the Ministry of Privatization is in agreement with the supplement of the privatization project and with the creation of a limited liability company (this makes registration of all 34 limited liability companies finally possible) in his opinion clearly refutes the objection that the restructuring of the enterprise is not taking place in accordance with the ideas of the National Property Fund and the Ministry of Privatization. Likewise, the recent review group from the Ministries of Industry, Finance, and Banking that visited the Skoda works was reportedly fully satisfied with the progress in restructuring. He believes that the entire supplement of the privatization project will soon be approved and that other steps—the debt forgiveness and the ecological and nuclear guarantees the government had promised—will follow.

We asked L. Tetal, "Just how does the restructuring of the enterprise actually show up in practice? At first glance, it looks as if nothing has changed here at all."

[Tetal] One could compare the Skoda works to an organism that is hurt. Before the treatment can begin, one must first wash it off and determine the extent of the

injury. That is just what we are doing. By dividing up the economies of the individual limited liability companies (all of them are now leased at the enterprise's work site, they also have separate metering of energy consumption, and part of the concern's debt has even been shifted over to some of them), we should find out early on which of them are viable and which are not. They have time for this until the end of the first half of the year. Those that do not secure enough orders will then be closed down, or the production in them will be limited and the people sent elsewhere to some place where they are needed.

In addition to this, we have already started negotiations on the leasing and subsequent sale of some of the operations that are not needed. This has to do with the Sedlec, Chrast, and Blovice operations (in the latter case, where there is a joint venture in operation with the Swiss company Secheron, which last year was very unprofitable and whose future prospects are not guaranteed to be good). We are also selling off the Horni Slavkov work site and the hospital on Dvorak Street in Plzen and are preparing the sale of the Ostrov and Jachymov plants.

In the Turbiny plant itself, even though it is one of the best because it has the entire year of 1993 covered by economic agreements and its profits have been steadily increasing since 1990 (this is a result of the fact that it was never oriented toward the Soviet market but, rather, toward the domestic and Western markets, where it supplies, for example, turbines for the thermal electric power plants in Finland, Egypt, Chvaletice, and Ledvice and the nuclear power plants at Temelin and Mochovce), we are also trying to change things for the better. In accordance with L. Soudek's requirements as formulated in his program announcement, we want mainly to increase the productivity of labor (L. Soudek wants to increase it by a minimum of 60 percent this year.) We are pursuing this partly by reducing the number of employees from our current 1,600 (but not this year; on the contrary, we are now taking on new ones in connection with the creation of the limited liability companies) and partly by rationalization measures. We are introducing, for example, the CAD [computer-aided design] system, and we want to reduce the material content of the products and the consumption of energy; to install more modern production technology for formed castings, which would make it possible to produce more precise castings; and to try for improvement in the organization of the work. We are also taking other measures.

[Adamovka] In your opinion, does the future of the Skoda works depend on the creation of joint ventures with the Siemens company?

[Tetel] The Turbiny plant, for example, definitely needs a foreign partner, and it therefore has agreed to the creation of Skoda Energo. But the way in which the contract was prepared made it impossible for us to sign it. It was too unfavorable for us; the losses caused by the founding of the joint enterprise were estimated at Kc1-1.4 billion. All nuclear and other risk orders would also

have remained as business cases for the concern, and the joint venture would implement them by the so-called method by name and by account, which means that the concern would have had all direct and indirect costs plus profit put on its account without regard for the original price of the order agreed to in the economic contract. This was, in addition to the disagreement regarding the guarantees for nuclear and ecological safety and those arising from the legal succession, the main reason it finally did not come down to a signing of the agreement on founding Skoda Energo. Now they are looking for ways to minimize the losses, and, of course, the negotiations are back again at the very beginning, based on the wishes of our partner because, according to Siemens, the initial conditions have totally changed. If it does come to the establishment of a joint venture, which is not a certainty, it will be decisively smaller than was originally conceived, and Siemens will have a 51-67 percent majority in it. The decision should be made in the next six to eight weeks.

As far as Skoda Transport is concerned, its creation now depends on gaining a market for locomotives in Russia, without which the creation of a joint enterprise is not effective for either party (according to Eng. Borak of the Ministry of Industry, Siemens is willing to award the Skoda works a certain value of goodwill for each locomotive sold in Russia, which otherwise would be denied Skoda). The last negotiations in Russia (the sale of 26 locomotives and the creation of a joint repair center are being discussed) are indeed hopeful, but it is not possible to rely on them totally. The discussions in Russia have thus increased the chances of establishing Skoda Energo, but, on the other hand, if the connection with Russia is made, the Skoda works could get along without Siemens as well. In addition, there are other joint enterprises being set up here with the German company Doerries Scharmann for machine tools and with the British firm Brown and Root (with Skoda Engineering), and we are holding discussions with the French firm Alsthom (author's note: and with the Italian company Breda). So Siemens is important for the future of the enterprise, but not vitally necessary.

#### A View From the Lokomotiva Works

They have a somewhat different view of the need for joint actions and on the approach in the negotiations with Siemens in the Lokomotiva plant, in distinction from Turbiny, in one of the least problematical areas of all. The capacity is being utilized at only about 30 percent this year, and that much is a result of the prolonged assembly work on railroad cars for the German company Duewag, which likewise belongs to Siemens. (While earlier there were up to 150 locomotives manufactured here annually, last year there were only a few.) According to the trade deputy, Eng. V. Eret, the concern's management has known for five years that the existing markets had no future and that it was dangerous to produce just one product; despite this, they did not undertake anything new. They did not even pay attention to the proposals of the IFC consulting company,

which recommended diversification of products, a change in the structure of the existing markets, and the introduction of new technologies, and warned about joint efforts with foreign partners that were too large.

The plant management agrees with the fact that negotiations with Siemens were halted at a point where it was disadvantageous for the Skoda works; however, in its view, the management allowed itself to be forced into an unfavorable position by clumsy maneuvering. It also holds it against Eng. Soudek that he, in essence, "killed" the order for 114 railcars for the Singapore subway system (together with Siemens and the firms SGP Vienna and Duewag), which contributed to the later withdrawal of the Skoda works from the CKD-AEG-Siemens consortium for the supply of new cars for the Prague subway system. They rebuke Soudek for his excessively "anti-Siemens" attitude.

Even in the Lokomotivv works, they have taken a number of restructuring measures and are trying to drum up new orders and develop new types of wheeled vehicles—for urban transportation, for example. However, in a situation where there is almost nothing available for wages or raw materials and when the subcontractors have refused to cooperate any further, that is hard to do. The greatest hope for them is now, when there will soon be a sale of the 60 disputed locomotives. The money from them could help a lot.

#### Economic Results of Skoda Plzen in 1992

Number of employees as of 31 December 1992	25,158 (in 1990, 38,000)
Revenue and yield	Kcs10 billion
Accounting profits	Kcs442 million
Liabilities	Kcs2.6 billion
Accounts receivable	Kcs3.3 billion
Of which:	
Profit metallurgy	2,400 employees
	Accounting profits: Kcs - 45 million
Nuclear engineering	1,800 employees
	Accounting profits: Kcs48 million
Turbiny	2,500 employees
	Accounting profits: Kcs100 million
Ejpovice	700 employees
	Accounting profits: Kcs12 million

DIZ	1,200 employees
	Accounting profits: Kcs12 million
Lokomotivv	1,300 employees
	Accounting profits: Kcs - 26 million

#### Views From the Ministries

According to the chief director from the ministry of industry, Eng. J. Borak, the establishment of a llmited liability company is thus the first step in the transformation of the Skoda works to a viable enterprise; this viewpoint is shared by J. Prince of the National Property Fund and the deputy minister of privatization, Eng. J. Jurecka. There still exist certain fears of dividing up the resources too much, of keeping even plants with no future going, and of whether the resources provided by the government will always be used in an ineffective manner, as, for example, for wages. The Skoda works will have to report on how it uses them.

Despite the fact that early forgiveness of debt is obviously a quite realistic possibility, there are technical problems that must be solved. Debt relief is also supposed to take place through the sale of shares in Skoda from the National Property Fund, which the Consolidation Bank is supposed to buy. In the meantime, it is not known what the price will be or how many shares in the Skoda works must be used for this operation. Therefore, the shares cannot be transferred to the winners of the public contest. There is also consideration of whether the Skoda works will issue new shares after the debt forgiveness or will create a reserve fund for covering the liabilities arising from the so-called legal succession.

The question of buying off the 60 locomotives in dispute is also still completely unresolved. The CD, which lost the court case with the Skoda works, does not need them because the volume of transportation by rail is constantly shrinking; the purchase of the locomotives was planned long ago by the SPK [State Planning Commission]. The Consolidation Bank is willing to buy them for Kc700 million and to sell them abroad, but Eng. Soudek is asking Kc900 million.

The joint effort with Siemens is considered very necessary by Eng. Borak, the same as other joint ventures, but the creation of Skoda Transport is thought to be more realistic than that of Skoda Energo.

The Skoda works will thus obviously be waiting for government assistance for some time yet. If it starts soon with truly radical treatment, however, it has a chance of surviving. In the opposite case, it is rushing toward bankruptcy.

**\* MDF Liberal Debreczeni Views Antall, Csurka**

93CH0485A Budapest 168 ORA in Hungarian

2 Mar 93 pp 10-11

[Interview with Jozsef Debreczeni, National Assembly representative of the Hungarian Democratic Forum, by Tamas Frei; place and date not given: "Csurka Is the MDF's Honorary Wild Boar"; An MDF Supporter in the SZDSZ Club; The Ruling Party After Brainwashing"]

[Text] *Although certain representatives of different parties continue to talk to each other in parliament, they no longer converse in the corridors of parliament. To the contrary, as of more recent date, the relationship between representatives of the same party is more reserved than between representatives of two, mutually opposite parties. Oddly enough, this phenomenon is coupled with the fact that based on their value systems and other things to which they are attracted, some representatives get along better with their political opponents than with their fellow party members with whom they share the same bloc of seats. Could this be an indication that the parties are in the process of realigning themselves or disintegrating, or is something else involved? In any event, one of the SZDSZ [Alliance of Free Democrats] clubs in Budapest invited Jozsef Debreczeni, the leading figure of the MDF's [Hungarian Democratic Forum] liberal wing. Tamas Frei filed an audio-visual report on this event.*

*Buda Castle, SZDSZ Club. Friday, 1800 hours. MDF Representative Jozsef Debreczeni is standing under the red, white, and green emblem with the birds; he is standing because, as he says, he is a teacher and he talks better when standing. The guest wears brown shoes, a black jacket, and gray pants. Csurka and Antall are the topics of discussion; some backstage secrets are also revealed.*

"That certain door is very important. Anyone wanting to separate the nation from democracy has opened the wrong door when choosing to belong to the MDF. Antall once told a faction meeting. Csurka responded by saying that he was not the one who had entered through some door; instead, he was the one who had opened the door for those who joined later. This was in reference to the fact that Antall, indeed, had joined the MDF later, and that he had not even been a member of the leadership in the initial period. The essence of this matter is that some estrangement has existed, and continues to exist to this date, between Antall's politics and personality—a real, professional, European right of center politician—on the one hand, and the founding fathers—Lezsak, Fur, Csurka, Csoori, who had not been politicians from the outset, but who have learned a lot with the passage of time—on the other. An emotional-spiritual bond exists within the latter group to this date. The friendship between Lajos Fur and Istvan Csurka—the close human and spiritual relationship between the two—would still be alive even if the two found themselves in politically opposite situations. And these bonds cannot be disregarded."

*An hour later Peter Tolgyessy drops in for a few minutes. Recalling the roundtable negotiations he had this to say: In those days Jozsef Antall supported Arpad Goncz' election as president of the Republic, because as a newcomer to the MDF, for tactical reasons, Antall did not want to see Lajos Fur or Sandor Csoori occupying that post, i.e., he did not want to see one or another founding member of the MDF as president of the Republic. Tolgyessy believes that Antall was concerned about the evolution of a second power center within the MDF. Debreczeni remained silent for a while and took notes. Then he spoke up: This is so interesting and so credible that it does not require any comment. He then returned to discussing Csurka and Antall, criticizing the prime minister's press policies.*

"Antall's greatest problem is that he has little understanding of the public relations aspects of politics. For example, it was a great mistake to simply leave MAGYAR FORUM to Istvan Csurka. It started out as the party's newspaper, and therefore the MDF membership began to subscribe to it. Thus Csurka was able to brainwash the MDF membership for a year and a half, moreover, on an emotional basis. I, too, have written an article for MAGYAR FORUM, but by now, we hardly have any chance for having rational arguments accepted. By the time we found out the extent to which Csurka had become radical, and how dangerous the things he was saying were, we also had to realize the tremendous strength he had gained. He gained strength because of the restructuring that went on within the MDF membership, and also because this type of politics was attractive to people. I happened to be at a meeting in Bekescsaba when Csurka's pamphlet of 20 August appeared, and when I, too, had a chance to write the response that contained the infamous little word 'Nazi.' At that meeting I was told by MDF members that 10 people known in Bekescsaba as Torgyan supporters had also come to the meeting. In other words, these people came to the MDF immediately after reading Csurka's writing."

*Having described this episode, Jozsef Debreczeni explained that Csurka's advances destroyed not only the MDF membership, but also the parliamentary faction. He continued his statement as follows:*

"Csurka's impact within the faction emerged in an interesting way. The faction elected its leadership after the 1990 taxi blockade. Csurka, too, was running, but Kulin knocked him out, in other word, Csurka lost out. In 1991, however, he won a leadership post by a considerable margin. This was followed by a period in the first half of 1992 when he had a significant base of support in the representative faction. Csurka's impact came back like a stroke off the cushion: The MDF membership was reading MAGYAR FORUM, they listened to VASAR-NAPI UJSAG, and here and there they could learn that the entire press, all kinds of evil enemies, were attacking, defaming, and shooting at Csurka. Solidarity is a natural reflex in any community if one of its members is beaten up. So then, whenever a representative went home to his

own MDF organization, he could hear all the things Csurka had planted in their heads and hearts. It took some time before representatives were able to distinguish between the mood of a political rally and public opinion, the views of those who did not frequent rallies. Thus, Csurka had a strong, rising star for quite some time. This popularity gradually abated beginning in August 1992. And since he openly attacked Antall during the national congress, he does not even have ten supporters in the 160 member representative group. And he does not even have five supporters who would follow him through hell or high water. The fact that even Konya dares to take more firm steps by now is no coincidence."

*The MDF representative went on to tell the gathering that in his view all this had occurred because by now, Istvan Csurka had become the "honorary wild boar of the MDF."*

"Csurka lost the game when he attacked Antall. In other words, he believed that his political capital, his popularity had no limits. This was not the case, however, as it turned out. I am afraid that had he not made this mistake, and had he concentrated only on seating his followers in the presidium, the composition of the presidium would not be as relatively reassuring as it is today. Moreover, the possibility of Csurka obtaining a majority under such circumstances could not have been ruled out either.

"Accordingly, it was very wise on part of Antall to wait until Csurka attacked him. By no coincidence, Sandor Horvath recited the National Anthem at the MDF national congress. All the delegates had Csurka in mind when he got to the line 'How many times have your own sons attacked you?.... Accordingly, this was a great psychological game. Whether Antall is a mere honorary chairman, as some people claim, is not true insofar as the MDF did not become a pro-Csurka party, but it is true insofar as a significant part of the membership has tuned in to the kind of politics, the political style, pursued by Csurka. At the same time, Antall was able to retain the decisionmaking positions. This is why Csurka is much more the honorary wild boar of the MDF than Antall is the honorary chairman. Simply put: I believe that we witnessed certain processes in which the center of the party was able to acquire positions against Csurka, which simply exclude Csurka.

"In reality, then, Csurka is unable to kick the ball. He, of course, is unable to bear this, because his ambition amounts to no less than to save the nation; and he is, indeed, serious about that. In other words, he is not satisfied with playing the role a King Endre's jester who told the truth, because he wants to play the role of at least Bank Ban in this drama. Csurka insisted on this casting so that he would become in the end the party's leader, ideologue and the maker of politics, while Antall would only be a technocrat minister, the executor. Csurka is aware of the fact that he, himself has no characteristic, virtue, or ability that would qualify him to function as a statesman, a professional politician. If Csurka looks over

his followers who—as he said—stick to him like dirt (and with that he did not compliment his own milieu too highly), he would have to find out that he has been hermetically sealed off within the MDF, and that the chances of him playing an independent political role were very small. I hope and believe that sooner or later he is going to suffer Torgyan's fate. He will be discredited; and six months or a year from now he is not going to be interesting at all."

**\* Interior Minister Boross on Extremism, Media**  
*93CH0485C Budapest 168 ORA in Hungarian*  
*9 Mar 93 pp 12-13*

[Interview with Peter Boross, interior minister, by Peter Rozsa; place and date not given: "The Media's View of the Government, the Government's View of the Media; Society in Its Teens; Conversation With the Minister of the Interior"]

[Text] *Last week Interior Minister Peter Boross took part in a function organized by the Hungarian-Israeli Friendship Society. Several persons expressed their concerns there. Speaking for the government, Peter Boross declared that his government would take strong action against extremist, racist, anti-Semitic manifestations as long as it was in power. The interior minister also commented to our reporter, Peter Rozsa, on improving relations between the media and the power structure.*

[Rozsa] You made several references in the past—at the above-mentioned meeting as well as on other occasions—to overreactions by the media to certain extremist manifestations, such as anti-Semitism. Insofar as it is really true that journalists magnify these things, could it be that a representative of the government should express his view more forcefully on each such occasion? If members of the cabinet were to express their positions not only when the protocol so requires?

[Boross] Two kinds of mistakes are possible, in my view. One is to keep silent about something. The other is to overreact. Insofar as government statements are concerned, I have indirectly expressed the government's position at least three times in recent months: I said that the government does not tolerate any kind of extremism. The fact that these statements receive less publicity than necessary—the way I sometimes feel—could be due to the political commitment of the Hungarian news media; my conscience is clear, because several of us have clearly stated our position on behalf of the government.

[Rozsa] Accordingly, do you feel that part of the media—and I do not know what political consideration would motivate this segment, and which segment you are referring to—does not do enough in seeking opportunities to relate to members of the cabinet?

[Boross] A decisive majority of the Hungarian media espouses the political views of the opposition. I regard this as a certain transition period and feel that some day—once the fever, the passions, and other symptoms

related to the system change are gone or reduced—the media will have a different attitude. As of today, however, I feel that the government's position receives less publicity than the number of positions it publicizes.

[Rozsa] What prevents the government from taking advantage of opportunities to receive publicity? The media is present everywhere.

[Boross] As you well know, the communication of news occurs first, and commenting takes place thereafter, and days can pass between the two. This is how Hungarian public opinion develops regarding any issue. I know that not too long ago I had an opportunity to make a statement in parliament. My statement was reported as part of the news, but comments regarding the statement—maintaining this government position as current news, making people understand the government's position—was not of a kind the statement I made on behalf of the government would have deserved. This is not a personal issue; I am not at issue here.

[Rozsa] What do you have in mind when you talk about this certain segment of the media: that it identifies with the parliamentary opposition, or are you thinking of the critical role the media plays?

[Boross] I believe that the larger part of the media identifies with the opposition more than that which would be desirable.

[Rozsa] On what basis do you judge: the tenor of and subject matter selected by the media, or on personal relationships?

[Boross] I judge on the basis of the tenor and the subject matter selection. But the system of personal relationships could also be working in certain instances.

[Rozsa] How do you explain the fact that a brief statement in parliament by Izabella B. Kiraly evoked so great a response that on the next day the newspapers were filled with quotes and commentaries, while the statements of ministers made in parliament do not evoke such great interest?

[Boross] I attribute this to a deliberate attitude supportive of the opposition. I do not believe that Izabella B. Kiraly is an important enough factor in Hungarian politics to make some draft or sentence of hers that did not turn out too well, to be deserving of as many pages as she was given. The media is rather well informed, and they are very well aware that this lady is unable to play an important role in Hungarian politics.

#### Transition Period

[Rozsa] I, together with very many journalist colleagues, was unable to determine how heavy and how decisive a role Jozsef Torgyan would play not in parliament, but as a coalition partner in the government. One simply cannot assess this. Meanwhile, all of his performances were spectacular and pronounced. In conjunction with this, journalists have debated more than once how to

proceed appropriately. Are we doing the right thing if we report every statement of his, or would it be better if the media did not report his statements?

[Boross] Forgive me, but many members of the media are aware that the role played by Jozsef Torgyan, with its own characteristic features, could not represent the style of the government headed by Jozsef Antall. The fact that this kind of excuse always involves persons of the right-wing persuasion is also peculiar. I believe that you should provide similar coverage to statements made by Gyorgy Gado, and even to one or two statements made by Gyorgy Konrad. Just for objectivity's sake, because I believe that superficial judgments and light-headed and extremist statements are also made on the other end of the political spectrum.

#### Extremist Manifestations on the Other Side, Too

[Rozsa] Are such extreme statements being made in the same shrill tone of voice, by using the same spectacular means? For example, does Gyorgy Konrad make such statements?

[Boross] He does. His latest statement relative to telephone wiretapping cannot be regarded as a manifestation of a politician's virtue. If Magyar Ut is somewhat objectionable, perhaps the Democratic Charta and the broad, left-wing field it encompasses should also be dealt with in a more objective tone of voice.

[Rozsa] Don't you think that the great variety of political trends represented by the media reflects the diversity of society?

[Boross] Yes, I believe what we are witnessing is a lack of balance characteristic of teenagers. Any society, which, in essence, experiences a catharsis is capable of embarking on the path of acquiescence only after a certain period of time. One segment of society is delayed in doing so because the change is not very radical, while the other has difficulty because of the change itself, and these ambivalent feelings affect all of us. A more peaceful era is going to come. I guess that era will come after the 1998 elections. By then certain perceptions, rites, and customs will have evolved. By then the past will be gone, a generation will be gone, or will at least drop out of politics. These times require patience.

#### \* SZDSZ's Preelection Strategy Discussed

93CH0490A Budapest MAGYAR HIRLAP in Hungarian 8 Mar 93 p 5

[Article by Eva Cseh: "The SZDSZ Regards FIDESZ as Its Principal Ally, the MDF as Its Opponent, and the MSZP as Its Main Rival"]

[Text] To win the next election, the SZDSZ [Alliance of Free Democrats] must do two things:

(1) Oppose the MDF's [Hungarian Democratic Forum's] efforts to make the next election a moot one, by occupying the key positions in the economy, the civil sphere, and the mass media.

(2) Win over the voters to its side.

All this was debated by the SZDSZ National Council at its meeting on Saturday. And it can also be read in a report entitled *The Scope of Liberal Politics*, which summarizes the largest opposition party's political strategy for the period up to the next election. The objective of the SZDSZ is to create a modern Hungary along Western lines. To realize its program, the party must become a decisive force in forming the new government in 1994. The report establishes that the MDF, which started out as a populist movement, could have become a modern center-right party in the Western sense, but has become instead a political force that combines old-fashioned authoritarianism with antiliberal populism. The SZDSZ regards the MDF as its main opponent. After all, the MDF has proved incapable of leading the country, at the cost of least sacrifice, toward a market economy and a pluralistic democracy. The Free Democrats would like to see an SZDSZ-FIDESZ [Federation of Young Democrats] alliance become the mainstay of the new ruling coalition. They wish to win over in support of their program as many as possible of the voters who have become disillusioned with the present government. In this they regard the MSZP [Hungarian Socialist Party] as their main rival. The SZDSZ will expose as unfounded the MSZP's economic program and election promises. At the same time, the presented report states, the SZDSZ will cooperate with the Socialists, should the defense of democracy's foundations so require. In addition, the SZDSZ is open to any political force that accepts the basic principles of liberal democracy. At the news conference held during a recess in the SZDSZ National Council's proceedings, we were told that nobody had opposed the agreement concluded with FIDESZ. That there is not one member of the SZDSZ who does not regard the other liberal parliamentary party as ally No. 1. And that the idea of concluding a similar agreement with the MSZP did not even arise. Gaspar Miklos Tamas, the SZDSZ National Council's chairman, said that the SZDSZ program must offer an alternative not only to Kadar's state socialism, but to Antall's corporatism as well. Commenting on the ideas that FIDESZ unveiled on Friday regarding the formation of the next government, Ivan Peto said that the SZDSZ also has such ideas. It has already found the individuals whom it would propose for the economic portfolios in the new government. Speaking of the MDF, Tamas Bauer, a member of the SZDSZ National Council's Presidium, said that the question was not whether Csurka would remain [in the MDF], but how closely would the government follow the writer-politician's scenario. Commenting on the statements made during the Konya-Orban debate last week, Gaspar Miklos Tamas said that anyone who compared the political situation in Hungary with the one in Lithuania was mistaken; after

all, the voters in our country did not have to choose between merely two alternatives. In the afternoon, the SZDSZ National Council considered the question of joining the Liberal International. Like the party's executive committee and its parliamentary caucus, also the council recommended joining. The final decision will be made by the meeting of delegates in May. At the news conference Ivan Peto announced that on Monday and Tuesday the leaders of the SZDSZ would be in Slovakia, to meet with the deputies of all four ethnic Hungarian political parties there. At the same time, the SZDSZ leaders consider it important to cultivate good relations also with the majority nation's political forces. To that end they would hold talks with the politicians of the more important Slovak parties as well. Attending the by-now-traditional SZDSZ ball in the Fiume Hotel in Békéscsaba, Deputy Gaspar Miklos Tamas made a statement to MAGYAR HIRLAP. He said that the SZDSZ is not doing very well in the opinion polls, although its approval rating improved slightly in February, rising from 6 percent to 8.5 percent in the league tables. The SZDSZ itself caused the decline in its approval rating, through internal dissension. Therefore, everything possible must be done to make the public aware of what enormous intellectual capital is concentrated within the SZDSZ, and that solely this party is engaging in European politics in our country. When asked what would happen if the MSZP won the election, Gaspar Miklos Tamas replied with a question of his own: Which socialists? For there are Kisujszallas socialists and non-Kisujszallas Socialists. And if the Kisujszallas socialists win, we all will apply for emigration passports, he said. He added that there are also other socialists who are following the path of social democracy. With them a liberal party does have matters to discuss. Gaspar Miklos Tamas also talked about fear subsidizing. Despite a bad prime minister, namely Jozsef Antall, democracy is doing well.

#### \* Orban on Preelection Relations With Opponents

93CH0490A Budapest MAGYAR HIRLAP in Hungarian 10 Mar 93 p 5

[Interview with Viktor Orban, leader of the Federation of Young Democrats caucus in the National Assembly, by Attila Farkas; place and date not given: "The Federation of Young Democrats Is a Cautious Gambler: It Does Not Promise Much"]

[Text] FIDESZ [Federation of Young Democrats] has not moved toward the MDF [Hungarian Democratic Forum] and is not seeking political cooperation before the election with either the MDF or the MSZP [Hungarian Socialist Party]. Viktor Orban announced. His party's standpoint on raising pensions aroused considerable controversy. He explained that FIDESZ felt sufficient funds were lacking at present for a 16-percent increase in pensions. Therefore the party proposed that raising pensions above 14 percent be considered anew at midyear. Otherwise Orban feels that a halt should be called to promises that cannot be fulfilled.

[Farkas] The agreement between FIDESZ and the SZDSZ [Alliance of Free Democrats] to establish closer ties has caused quite a stir in recent weeks. From other statements made by you—about Lithuanianization, for instance, which produced a sharp debate with the MSZP—many people have drawn the conclusion that FIDESZ is moving closer to the MDF. Is that notion correct?

[Orban] The notion that FIDESZ is drawing closer to the MDF emerges from time to time, especially when we are consulting with Jozsef Antall on certain political issues. We are not in the habit of keeping such meetings secret, yet some people perceive those meetings as proof that we are moving toward the MDF. I have said time and again that there is no such motion. Until 1994 we do not wish to enter into election cooperation with either the MDF or the MSZP. Moreover, we are not seeking even political cooperation with them that would enable us to run jointly in the election. The SZDSZ is a possible partner in the election, but even with them we would like only a limited form of cooperation.

[Farkas] But that does not exclude the possibility of cooperation with other parties after the election.

[Orban] Naturally, the situation will be different when the new balance of power emerges in 1994. We would like to maintain a relationship with both the MDF and the MSZP that will not hamper talks on forming a government. We are striving to achieve that the development of internal politics in Hungary provides as many combinations as possible after the election.

[Farkas] FIDESZ has been sharply criticized recently because of its standpoint on the proposal to raise pensions, specifically for its refusal to support a 16-percent raise. Why did you reject that proposal?

[Orban] FIDESZ's standpoint was that the government should commit itself to raising pensions by 14 percent, and then decide at midyear—after reviewing the social-insurance budget—whether we are able to afford a further rise that would amount to a 16-percent increase for the entire year.

[Farkas] What was the reasoning behind this standpoint? And if you think that a 16-percent increase might be feasible, why not give an "advance" on it now?

[Orban] The reason is quite simple: At present there are no funds in the social-insurance budget for a 16-percent raise. The state of the social-insurance budget is such that the deficit this year will certainly not stop below 60 billion forints, as compared with the 40-billion deficit planned. And it is quite conceivable that the deficit will rise to 100 billion forints next year. Incidentally, I have received very many letters criticizing our standpoint. But the letters also reveal that retirees fail to understand what their situation actually is like in this country. The main question is not whether the raise ought to be 14 or 16 percent, but whether any raise will be possible at all

next year. Because the country and the entire social-insurance budget are in such an incredibly bad economic situation. If there were money for a raise higher than 14 percent, then—instead of raising pensions across the board—our first priority would be to press for settling the pension benefits of those rural residents who, as so-called family members, had helped out in farming. Today there are about 300,000 persons in Hungary whose spouse was a member of an agricultural cooperative and they themselves worked occasionally in the cooperative. By now, most of these family members are living alone. They are not getting pensions and are not entitled to other benefits either. If there were money, the settlement of their pensions would come first, and a raise above 14 percent would come only thereafter. Cognizance must be taken of the fact that at present there is less money in the social-insurance budget than what is needed to cover the claims of retirees, and also the claims for child-care allowances and family allowances.

[Farkas] Many people are of the opinion that your vote on raising pensions has hurt FIDESZ's image. Specifically, an image has gained acceptance of FIDESZ as a party that, besides being popular among youths, is also popular primarily among the elderly. But a poll conducted in March contradicts this, by revealing that FIDESZ's popularity did not hold true among respondents over 65. Has this finding influenced the shaping of your standpoint?

[Orban] On this issue FIDESZ was not motivated by tactical considerations of party politics. Moreover, we feel that the political parties are beginning to make promises irresponsibly. Several parties have already made promises for which there are no funds. In response to this I feel obliged to point out that, for instance, those who promised a 16-percent raise if they came to power would be unable to raise pensions by that much. FIDESZ is a cautious gambler. It does not promise much, but it will be able to deliver on the promises it does make. Nobody will be able to call us to account for having made irresponsible promises, not even after 1994. From this point of view I believe that the decision of our caucus was the right one. It makes us unpopular in the short run, but it will be a suitable basis of reference in the long run. As an opposition party, FIDESZ could have easily promised 16 percent, because that promise would not have caused the party any harm. The only reason we did not do so is that a halt must finally be called to making promises that cannot be fulfilled.

\* 'Rolling Dollars' Probe: Communists Not Guilty  
93CH0490C Budapest MAGYAR HIRLAP in  
Hungarian 13 Mar 93 p 1

[MTI report: "Rolling Dollars Probe: No Crime To Prosecute"]

[Text] In the rolling dollars case, the Criminal Investigation Bureau of the Budapest Prosecutor's Office closed

the investigation at the beginning of this week, because the investigated action was not a punishable offense in criminal law.

Prosecutor General Kalman Gyorgyi did not wish to comment on the MTI report and merely said that on Tuesday his office would issue an announcement to inform the public about the decision made in the case. The case began on 18 February 1992, when Edit Keri, a retired actress, filed information with the Prosecutor General's Office.

Following the establishment of the facts by the prosecutor's office, on 9 March 1992 the Criminal Investigation Bureau of the Budapest Prosecutor's Office ordered an investigation against persons unknown, on suspicion of a felony of serially committed foreign-exchange violations involving particularly large amounts. From the findings of the investigation it was revealed that, between 1960 and 1987, the MSZMP [Hungarian Socialist Workers Party] had been contributing annually varying amounts in U.S. dollars (ranging from \$350,000 to \$650,000) to the International Solidarity Fund administered by the Soviet Communist Party. In all, about \$14 million had "rolled" from Hungary to Moscow.

According to press reports, investigators questioned as suspects in the case Janos Fekete and Matyas Timar, one-time presidents of the Hungarian National Bank, and also Karoly Nemeth, a former secretary of the MSZMP Central Committee.

#### \* FIDESZ Clarifies Stance on Religious Education

93CH0490D Budapest MAGYAR HIRLAP in Hungarian 8 Mar 93 p 5

[Unattributed report: "FIDESZ Supports Extracurricular Religious Instruction"]

[Text] Contrary to rumors that are being fabricated superficially or spread intentionally, FIDESZ [Federation of Young Democrats] is not against religion and the churches, it was declared in Szeged on the weekend, at the party's conference on education policy, attended mostly by representatives of local government. Many details of instruction and education were discussed, including the system of admission and teacher training, for instance.

In his opening and closing addresses, Gabor Fodor said that the government has been guilty of numerous omissions and mistakes during the past three years. These omissions, in his opinion, also place upon FIDESZ the obligation to unveil at its next congress a conceptual plan of public education that will be truly acceptable to students, teachers, and the general public. An important topic in the conceptual plan will be the question of the schools that are to be transferred or returned to the churches as their property. The summary conclusion drawn from the comments made in the various sections is that FIDESZ accepts and supports extracurricular

religious instruction, but is convinced that public education must remain neutral and function independently of any political party or ideological interest group. But it was voiced at the conference that, within certain church circles, the viewpoint of power is prevailing over the principles of rendering service. Also for that reason, FIDESZ is sticking to its earlier standpoint that, on the issue of church schools, a sharp distinction must be made between institutions and buildings.

Otherwise FIDESZ would like to continue to take part, with constructive proposals and program packages, in transforming the structure of education, the way this has already happened—according to Gabor Fodor—in Angyalfold [a Budapest district], Debrecen, or specifically in Szeged, for instance.

#### \* Opposition Welcomes Madl's Education Bill Stance

93CH0489B Budapest MAGYAR HIRLAP in Hungarian 12 Mar 93 p 4

[Unattributed report: "In Schiffer's Opinion, Madl Is Seeking the Path of Agreement"]

[Text] *Deputies of the parliamentary parties who are concerned with educational matters have welcomed with satisfaction an announcement by Ferenc Madl, the new minister of culture and public education, that he has requested legal experts to review the controversial provisions of the public education bill, from the viewpoint of human rights and constitutionality. His words indicated that, with the legislative bill's revision, the issue of education could be put to rest, and parliament would be able to enact a Public Education Law for the long term, if the bill is revised suitably.*

Deputy Janos Schiffer (MSZP [Hungarian Socialist Party]) said he found Ferenc Madl's statement reassuring in that the minister's authorization calls for introducing a public education bill that is based on the widest possible process of gathering comments and reaching agreement. It is promising that the government no longer wants to push the bill through from a position of power. According to Schiffer, this also proves him right partially, because earlier the Socialist deputy thrice proposed that a two-thirds vote be required for the public education bill's passage. That, of course, would not have been warranted legally, but with his proposals he wanted to call attention to the fact that laws on public education are not enacted for a single [five-year] period between elections. The latest versions of the public education bill suggested unilateral action by the government, but Ferenc Madl's appointment could produce a change. Schiffer hopes that now the process of gathering comments and reaching agreement will not be perfunctory. The Socialist deputy recalled that the new minister took note of the opposition's comments also in the debate on the Higher Education Fund. Madl is seeking perceptibly the path of agreement, Janos Schiffer pointed out.

## HUNGARY

Jozsef Debreczeni (MDF [Hungarian Democratic Form]) told our reporter that he welcomed these developments. Although the public education bill does not require a two-thirds vote for passage, the minister's measures suggest the need of regulation for the long term. Public education is important from the viewpoint of entire society. At the same time, the public education bill has been in the crossfire of serious debates. It appears to Debreczeni that in these debates ideological considerations have become mixed up with other interests. The member of the [National Assembly's] Cultural Committee regards as a positive development the fact that Ferenc Madl takes into consideration the aspects of the Constitutional Court's decision and of the harmonization of international regulations. It will be expedient to incorporate these two elements also into the public education bill, he pointed out, adding that doing so could forestall further conflicts. Much debate can be spared if it is possible to refer to the Constitutional Court's education-related decision, and to the background of international agreements. In Debreczeni's opinion, Ferenc Madl's person marks a more open approach.

Deputy Szilard Sasvari (FIDESZ [Federation of Young Democrats]) said that his party was very pleased about Ferenc Madl's decision. The Young Democrats also feel the need for changes in the higher education bill, especially regarding the state's role. In their opinion, it is important that university administrations, rather than the state, be able to appoint their financial directors and chancellors. FIDESZ believes that, before the public education bill is reintroduced in the National Assembly, a process of gathering comments and reaching agreement would be desirable. It should involve primarily the municipalities as well as the trade unions, in view of the fact that most schools belong to local governments. In addition, Sasvari believes, gathering comments from the political parties and seeking agreement with them—as FIDESZ has already proposed—would be very beneficial from the viewpoint of setting the proper tone of the debate on the bill and avoiding unnecessary conflicts.

Deputy Karoly Rab (SZDSZ [Alliance of Free Democrats]) regards as very positive that the new minister, Ferenc Madl, is having experts review the public education bill and eventually draft a new bill, in line with the European Charter of Human Rights, the Constitutional Court's decision, and the Children's Charter. The deputy is of the opinion that a separate process of gathering comments and reaching agreement will not be necessary, if the basic principles enshrined in the aforementioned documents are incorporated into the legislative bill.

#### \* Salaries, Personnel Ratios at Government Agencies

93CH0490E Budapest MAGYAR HIRLAP in Hungarian 8 Mar 93 pp 1, 4

[Unattributed report: "Principals in State Administration Earn 70,000 Forints per Month on Average"]

[Text] The central organs of state administration were required to reduce their personnel by at least 1 percent

last year. In practice this meant that there were cuts in personnel at 13 institutions and increases in 11 cases, a report of the Auditor General's Office establishes. In all, 11,269 civil servants worked in the ministries and other central agencies last year, while 1,150 posts were vacant. The Office of the President of the Republic had the highest increase in personnel: Its staff was 70 percent larger in 1992 than the year before. The rise in personnel was 57 percent at the Ministry of National Defense, and 27 percent at the National Assembly's Office. At the same time, there were cuts in personnel at the MTA [Hungarian Academy of Sciences], the Ministries of International Economic Relations, Social Welfare, and Agriculture, as well as at the Central Statistical Office. A third (or 1,594) of the 8,578 full-time civil servants at central state institutions were principals; another third (or 1,589) were blue-collar workers; and there were also 4,267 administrators, 793 clerical workers, and 335 drivers. The average number of subordinates under one principal was 4.4. The average main department consisted of 23 civil servants, but there are cases of three to six persons constituting a main department. According to the Auditor General's Office, in some cases main departments were created even where departments would have sufficed. The highest number of principals in relation to subordinates was at the Ministry of International Economic Relations: The average was 1.8 subordinates per principal.

The situation is similar in the Office of National and Ethnic Minorities, where a staff of 22 includes 10 principals. The average number of subordinates per principal is 2.2 at the Ministry of Finance, 2.5 at the Ministry of Environmental Protection, and 2.8 at the Ministry of Labor and in the Prime Minister's Office. At the same time, at the Interior Ministry's Economic Directorate merely 10 principals direct the work of 680 subordinates. The monthly salary at the central agencies averaged 38,918 forints [Ft] in the first half of 1992. On average, principals earned Ft70,229 per month last year; administrators, Ft37,431; clerical workers, Ft23,268; and drivers, Ft29,256. The average salary is over Ft50,000 in the Office of the President of the Republic, and at the offices of the ministers without portfolio, the National Chief Inspectorate of Mines, the Interior Ministry, the Ministry of National Defense, and the Ministry of Labor. Salaries are the lowest at the Ministry of Foreign Affairs and the Ministry of Justice, where staff members are paid Ft30,094 and Ft31,767 a month, respectively. The central agencies' monthly wage bill was Ft334 million, of which Ft112 million was for the salaries of principals. Outstandingly high were the salaries of the four principals at the National Chief Inspectorate of Mines: each was paid Ft103,335 per month. Principals were paid over Ft80,000 each at the Interior Ministry, in the Office of the President of the Republic, in the offices of the ministers without portfolio, at the Ministries of Labor and Finance, and at the Economic Competition

Office. Principals at the Academy of Sciences, the Ministry of Foreign Affairs, the Ministry of Culture and Public Education, and the Ministry of Environmental Protection were paid much less than the average for principals.

**\* MNB Study on Effects of National Debt**  
*93CH0493C Budapest PESTI HIRLAP in Hungarian  
4 Mar 93 p 5*

[Excerpts from a Hungarian National Bank study on the effects of the national debt: "Bequeathed Billions"]

[Text] As a pressing burden holding back the Hungarian economy, the management of debt servicing has been and will remain one of the biggest obstacles to an unfolding market economy. The loans raised during the past decade, now totaling more than \$22 billion, pose an incredibly difficult and complex task for the financial administration of the day. The Hungarian National Bank is releasing today its study in which the bank's experts analyze in detail the problems that the bequeathed billions inevitably raise. From the study's manuscript we present below excerpts of the more interesting parts dealing with debt management.

The size of the total debt in itself is not a suitable reflection of the degree of a country's indebtedness. Well-founded conclusions regarding the degree of a country's indebtedness, and the effects of external debt upon a given country's economy, can be drawn from indicators that relate the debt to the country's external and domestic economic performance. In other words, from indicators on the basis of which it is possible to form a picture of the given economy's debt servicing capacity, and of the extent to which repayment of the debt is at risk. From among such indicators it will be warranted to present in detail the development of the debt service ratio, the indicator that perhaps best describes in relief an economy's vulnerability. Debt service ratios are of outstanding importance also from the viewpoint of how the capital markets rate a country.

Hungary's debt service ratio exceeded in 1978 the 30-percent level that is regarded internationally as the maximum allowable level. (Between 25 and 30 percent, a country is still rated as a reliable debtor. Above the 30-percent level, however, creditors already regard a country as a high lending risk.)

The first debt service peak, in 1978, was followed by another one in 1981, when increasing principal payments on the substantial total debt were also becoming due.

At the same time, the interest charges also rose substantially, due to the sharp rise of interest rates in capital markets. Interest payments suddenly jumped to \$1.0 billion, from between \$200-300 million earlier. As a result of all this, the debt service ratio worsened by 20 percentage points, almost reaching 50-percent in 1981.

Following the debt crisis in 1982, drastic belt-tightening measures stabilized the balance of payments, and the process of incurring more debt was arrested. The debt service ratio did not deteriorate further: In 1983-84 it stagnated below the 40-percent level. During that period, the growth of gross debt was only minimal—it remained below \$11 billion—and net debt declined by \$1.0 billion to \$6.5 billion.

Between 1985 and 1987 the debt service ratio again rose significantly, due mainly to increasing payments of principal. Payments of principal in those years already exceeded \$2.0 billion. They were especially high in 1985, totaling about \$2.7 billion. But this was due in large part to the fact that the country—taking advantage of the opportunities provided by its improving rating in capital markets, in the wake of its 1983 and 1984 economic performances—was able to raise new loans and made prepayments of principal, in order to defer its debt burden and to spread it over time. This amounted to between \$300-650 million a year. Namely, the new loans could be obtained at lower interest rates, and with the grace periods (during which the creditor waives payments of principal; grace periods usually range from three to five years in the case of long-term loans) it was possible to shave the debt service peaks. But, because of this, the debt service ratio within the investigated 1973-92 period was the highest in 1986: 75 percent (it was 70 percent in 1985). The gross debt at that time was \$17 billion, and the net debt, \$10.7 billion.

It should be emphasized once again that the debt service ratio's considerable deterioration—because of the prepayments of principal, over and above the current maturities of principal—was the result of a deliberate decision aimed at reducing the burden of debt servicing in the next three or four years. This replacement of loans may be perceived as an internal, deliberate and voluntary restructuring of the national debt, something that is routinely done by countries that manage their debt successfully. Thanks also to this, the burden of debt servicing declined significantly between 1987 and 1989 (despite a moderate rise of the interest burden), and the debt service ratio eased to 38.5 percent in 1989.

The relatively rapid rate of economic growth that had been typical of the earlier period was maintained in 1973-78: GDP in 1979 was more than 40 percent higher in comparison with 1972. In the 1973-78 period of incurring debt, the annual growth rate of GDP was still nearly 6 percent. Parallel with the rising burden of debt servicing, however, economic growth slowed down significantly during the first period of adjustment, between 1979 and 1984; during that period the average growth rate of GDP dropped to 1.8 percent. In 1985-89 the growth rate of GDP eased further (to 1 percent on average). In 1990-91 GDP was already declining. Actually, the high rates of economic growth in the years of incurring debt are misleading: Behind them lie the additional export needed to offset our enormous losses due to the worsening of our terms of trade in ruble-denominated foreign trade, and a growth of production

that permitted a rise in domestic consumption but whose value in the world market was declining.

At the end of 1991 the economy's performance was only about 40 percent higher than in 1972 and practically equaled the economy's performance in 1979. Thus, for our failure to adjust earlier we have to pay now, in the period of restructuring, by suffering a recession, cutting consumption and paying higher prices.

Actually, there was significant excess distribution only in 1973-78, when GDP's domestic utilization far exceeded its production. During the 1979-84 period of adjustment, however, a significant difference developed between GDP's domestic utilization and its production, in favor of the latter; and in 1985-89, for the period as a whole, the growth of GDP's production and that of its utilization were nearly identical. This too supports the conclusion that the incurring debt in 1973-84, and failure to adjust were what triggered the process of rising indebtedness.

Analysis of the flow of income is rendered difficult also by the fact that in 1980-81, in the course of paving the way for our accession to the International Monetary Fund, a policy was adopted not to reveal the actual total of external debt, in order to conceal the consequences of decisions that had been motivated by political considerations and would have cast the political leadership of the day in a bad light—in other words, to conceal the actual amount of the budget deficit. Which also served to prevent a decline in the country's rating abroad. This decision was a continuation of the practice that had developed in earlier years: namely, in the case of foreign borrowing, to provide only limited or doctored information about the Hungarian economy when foreign lenders requested such information. Thus figures lower than the actual ones were reported for the total external debt, the degree of indebtedness, and the budget deficit. This was done with the understanding that the difference between the actual and the reported figures would have to be eliminated gradually. This gradual elimination of the difference did not occur until 1989. The actual figures on the domestic and the external debt were finally revealed only before the approaching change of political systems, at the National Assembly's session in November 1989.

The Hungarian National Bank has always held that the country's external financial equilibrium could be maintained without trouble, if we fully meet our debt servicing obligations when they become due. The maintenance of solvency is the cornerstone of debt-management policy. The Hungarian Government is pursuing this strategy even now.

In the wake of the change of political systems, one hears doubts from many directions as to whether our strategy on debt management is sound? And would it not be better now to follow the example of the world's debtor nations and seek some form of relief from debt?

Investigating the most typical ones from among the many different views, we will evaluate the proposed

ways in which—the critics believe—we could ease the 1.5-billion-dollar annual burden of outflowing interest payments, and retain resources for the economy's consolidation.

As a part of their economic policies, several political parties and various political tendencies have made public their ideas regarding our foreign debt. These ideas have mostly been in agreement that, in recent decades, the loans which led to the country's indebtedness were spent by the economic administration of the day wastefully, with a low degree of efficiency. For that also Western capital itself is partially responsible, certain politicians felt at the turn of 1989-90. At the same time, they acknowledged that the pursued strategy on debt management has avoided debt repayment at a forced rate that strips the economy of resources, and also the Polish path of debt rescheduling that disrupts the economy and is accompanied by endless crises. Thanks also to this strategy, the Hungarian economy has not experienced hyperinflation or extreme shortages, and the change of political systems—by no means least on the basis of earlier reforms, and of the developing external economic relations, including monetary relations—took place amidst relatively consolidated conditions.

The critics mostly associated our foreign debt with Hungary's increasing dependence on foreign capital markets since the 1980's. That dependence is reflected—the critics believe—in the more and more frequent presence of international monetary institutions, and in the prevalence of a simplistic monetary approach within Hungary's economic administration.

From the mid-1980's onward, the total debt piled up in such a way that interest payments simultaneously withdrew substantial resources from the Hungarian economy. On the whole, the growth of total debt stemmed from the growing interest burden, "in the form of interest payments that have already repaid the loans many times over," and therefore it should be proposed to the lenders that they "write off the loans," some people believed. Such a "write-off" would be especially reasonable because sharp rise in the burden of interest payments was due to the fact that disequilibrium in the economies of the developed industrial countries, and in the economy of the United States in particular, had spread to the world economy.

The Hungarian National Bank has repeatedly come out against the views urging a rescheduling of our external debt, and has striven to prevent such views from becoming factors detrimental to our interests in international capital markets. The bank's action was based on the consideration that the most often recommended procedures for "easing the debt burden" do not offer any real solutions to our problems.

The views that we should refuse to service and repay our debt are seeking the path of open confrontation with the outside world. The advocates of such views immensely

oversimplify the realities and fail to take into consideration the international financial world's quite natural response. Namely, that the lending banks, in order to protect their depositors, will freeze all transactions with the country that declares a moratorium, and will immediately seize all its foreign receivables.

It will cost the country that declares a moratorium much time and effort to regain its international creditworthiness, and ability to finance its external economic relations.

There are also other means by which the country that has become insolvent is able to settle, in cooperation with the lending foreign banks, the fate of its loans and accumulated arrears. Simultaneously with declaring a moratorium, for instance, the country might ask for talks on rescheduling the debt, if the level of its foreign-exchange reserves has reached a dangerous minimum and the country is unable to continue to finance its current import needs and debt servicing.

However, a one-time debt rescheduling has proven incapable of permanently restoring solvency, because the cumulative drawbacks of debt rescheduling only worsened the debtor nation's situation. For, on the news that a country declared a moratorium, its sources of short-term credit and long-term borrowing dried up, one after the other. Foreign suppliers immediately demanded cash in advance or placing the purchase price in escrow. Consequently, the financing of current import ground to a halt. That caused disruptions in domestic supply and production, as well as in the procurement of imports necessary for export. Extremely serious dropouts occurred in the transport and power supply of countries dependent on power and fuel imports; repairs to their infrastructures were protracted; and the commissioning of new capacities for the expansion of export were delayed. Export shipments were held up and export became paralyzed. As a result, the countries' foreign-exchange earnings dropped to a low level, which further deepened the economic recession brought about by the difficulties of financing import.

Hungary is also a recipient of aid. However, the order of magnitude of the aid drawn down in the three years from 1990 to 1992 was less than \$200 million, while merely the interest payments amounted to between \$1.4-1.5 billion a year (in other words, to approximately 20 times the total amount of aid drawn during the three years). Aid in the form of experts and technical assistance is very helpful to the Hungarian economy in developing a market economy's institutions and in learning how a market economy normally operates. But the scale and form of aid are not enough to provide relief in debt servicing, nor is it realistic to expect aid in the future that would provide such relief.

The first and foremost characteristic of Hungary's external debt is that its structure differs significantly from the debt structures of the other East European countries, particularly from the debt structure of Poland,

which is often being cited as a model for debt restructuring. The reason for this difference is that, until the start of the former East European countries' process of transformation in 1989-90, their debt-management policies focused on obtaining government loans or project-specific financing loans; whereas Hungarian debt-management policy since the end of the 1960's preferred financial loans from private banks, as opposed to government financing loans that were predominantly project-specific.

Hungary's \$20.5 billion of medium- and long-term debt on 31 December 1991 included \$17.2 billion of financial loans, and merely \$1.5 billion of loans from governmental institutions.

The second essential characteristic of Hungary's borrowing policy is reliance on medium- and long-term loans. It was in 1973 when a situation first arose such that Hungary's debt structure consisted almost entirely of funded debt. But the borrowing in subsequent years could not be covered entirely with medium- and long-term loans, and therefore a proportion of net debt again became short-term debt. That situation lasted until 1984, when short-term net debt could again be liquidated, thanks to the improving foreign-exchange situation and by means of increased borrowing.

The third essential characteristic concerns the composition of the medium- and long-term debt. Our financial borrowing in the 1970's still consisted predominantly of interbank loans and of loans provided by individual consortia of banks. But already in that period there were some bond issues. Following the 1981-82 credit crisis and parallel with the restoration of our creditworthiness, new types of debt instrument—primarily various bond issues—gained ever more ground. But incurring debt by issuing bonds means that hundreds and thousands of bond-buying small investors, whose names are not necessarily known, face respectively the Hungarian treasury and the Hungarian bank that issues the bonds (up to now that bank was the Hungarian National Bank).

We cannot expect any substantial lowering of the total debt in the 1990's. The external debt will still be of a considerable order of magnitude at the end of the decade. Therefore debt-management policy will remain an essential part of economic policy also in the future, even if we are able to get rid—permanently, we hope—of the danger-preventing actions necessary to preserve our solvency.

However, a significant change of direction could occur in debt-management policy in the 1990's. In periods of serious imbalances in the current account of the balance-of-payments, and of diminishing foreign-exchange reserves and narrowing foreign capital markets, or when the influx of foreign direct investment was insignificant, rapid and substantial improvements of the current account were necessary and substantial surpluses had to be achieved. In other words, debt-management policy concentrated on debt servicing. But now there is an

## HUNGARY

opportunity to make the easing of the relative debt burden the centerpiece of debt-management policy. Which means that the present situation makes it possible to help economic growth by letting increasing import improve the economy's ability to export, as well as its performance.

All this means that the ratio of diminishing net debt to rising GDP will drop sharply, and that also the ratio of debt service (which will not be rising and perhaps may even be falling) to growing foreign-exchange earnings from expanding export will be significantly lower by the end of this decade. Consequently, both the ratio of debt to GDP and the debt service ratio will fall into what is regarded internationally as the "moderate" range.

This could result in Hungary's debt service ratio approximating even in international comparisons the ratios of countries rated as good risks, and falling to about the 20-percent level.

**\* Mayor Demszky on Antall, Budapest's Finances**  
*93CH0489D Budapest MAGYAR HIRLAP in Hungarian 12 Mar 93 p 4*

[Interview with Budapest Mayor Gabor Demszky by Janos L. Laszlo; place and date not given: "We Have To Package Everything in Expo"]

[Text] *Gabor Demszky, the metropolitan mayor of Budapest, claims that the two-year conceptual development plan, which the capital [Metropolitan Council] adopted by an overwhelming majority, is Expo-friendly, and only if everything included in that program is realized will it be possible to hold a successful world exposition. But it should be emphasized that Expo is merely one event for the capital, albeit a very important one. What the metropolitan administration must bear in mind is basically that Expo has to serve the interests of the capital's residents.*

[Laszlo] Mrs. Etelka Pataky Barsi, the high commissioner for Expo, and the metropolitan mayor met secretly. Is this what things have come to? Have relations between you deteriorated to such an extent?

[Demszky] That is a tabloid's exaggeration. Naturally, the meeting was not a secret one. I met with the high commissioner in preparation for my scheduled discussion with Interior Minister Peter Boross. I will be meeting with the finance minister on Friday of next week, and I would like to exchange views also with the transport minister. Meanwhile, the gathering of comments from experts is in progress and is expected to end in agreement.

[Laszlo] When will you meet with the interior minister, and what will you be discussing with him?

[Demszky] I wrote to the prime minister last August and requested that we discuss the Lagymanyos Bridge, the South Buda-Rakospalota metro line, and the capital's

Expo-related investments. Regrettably, I received an answer to my letter only now, at the beginning of this month. The interior minister informed me that the prime minister had designated him to conduct the talks. On my part, I regard the past eight months as time lost. We could have agreed long ago on such fundamental questions as the principles of sharing the costs and of investment financing. Then perhaps there would no be this uncertainty that characterizes the capital's present budget and the realization of our investment projects. Our meeting is scheduled for the end of March. One topic on the agenda will be the huge mass-transit program package that is to be financed by EBRD and the World Bank. Furthermore, we will be discussing the metro, the suburban railroad's modernization in Csepel, the Lagymanyos Bridge, and the M-0 expressway's interchanges with the city's road network.

[Laszlo] When was the last time you talked with Mr. Antall?

[Demszky] I attended several cabinet meetings during the past two years, in conjunction with the Lagymanyos Bridge and Expo. The prime minister himself chaired some of these cabinet meetings, but the last time I met him privately was in the spring of 1991. All this is rather unusual in international practice. The mayor of a large city, not by virtue of his rank but because of the scope and national significance of the tasks that devolve on him, must consult frequently with the prime minister. I hope that in the future the government will help the capital and regard it as a partner, commensurately with the capital's international role and problems. Also lacking at present is an institutional framework within which the government and the capital could exchange views and reach agreement. There is no forum to determine whether an investment project is truly of national interest. If everything continues the same way as in the past, the capital will be unable to complete the investment projects that Expo's success requires. Incidentally, I regard as bad already the fact that we have to package everything in Expo.

[Laszlo] The capital is often accused of working only halfheartedly for Expo's success.

[Demszky] The two-year conceptual development plan that the capital has adopted by an overwhelming majority is Expo-friendly. Only if everything included in that program is realized will it be possible to hold a successful world exposition. But it should be emphasized that Expo is merely one event for the capital, albeit a very important one. What we must bear in mind is basically that Expo must serve the interests of the capital's residents. There are political reasons behind the constant shifting of emphasis, namely that the government has staked too much on this one prestige investment project. For that reason we too are obliged to devote constant attention to this matter, although I personally would much rather talk about Budapest. The

logic is the other way around: The interests of Budapest as a whole are more important than those of a single event in the city.

[Laszlo] The capital's plans to borrow have raised quite a storm during the past few days.

[Demszky] As of 1993, the capital finds itself in a new situation, one characterized mostly by financial difficulties and financing problems. I could also say that the capital has been pushed underwater, and now it has to show it is able to swim there as well. Due to belt-tightening by the central government, our budget this year is short of 7.6 billion forints we had counted on. That is why we have to borrow if we wish to continue our investment starts and operate our institutions. The recent controversy over borrowing has revealed that anyone who has money and financing does not have to explain why the investments are necessary. In our case, however, we are forced to explain constantly and are exposed to constant political attacks. I would like to put on record that this situation is not of the capital's own making. Our dependence is the greater because we are able to borrow on the international money market only if the government guarantees the loans.

#### \* Local Governments Budget Outlays Described

93CH0493B Budapest MAGYARORSZAG in Hungarian 5 Mar 93 p 10

[Interview with Fabian Jozsa, deputy chairman of the National Assembly's Local Government Committee, by Krisztina Pecsi; place and date not given: "The Local Governments' Expenditures"]

[Text] *Among the models of local government known and adopted in Europe, our system of local government offers the widest administrative and financial autonomy and rights. Naturally, this means that the local governments' responsibility for the management of their finances has increased. We interviewed Fabian Jozsa, deputy chairman of the National Assembly's Local Government Committee.*

[Pecsi] How much assistance are the local governments receiving in the form of grants, and to what extent are these grants able to help the development of Hungarian settlements?

[Jozsa] Local governments are getting about one-quarter of the annual state budget. Their revenue consists mostly of local taxes, the rates that their institutions charge for services, and a share of the collected individual income tax that local governments retain. This share has been reduced, because only that way, with the money taken away from local governments in this manner, is it possible to provide so-called standard block grants, proportionally for all settlements in the country. This system of standard block grants, based on capitation, maintains the local governments' institutions and offices. On the other hand, the range of specifically targeted and special-purpose grants-in-aid serves to

finance investment. In addition, the system of financing local governments is augmented also by their ability to participate in various competitions announced by ministries. Local governments earmark for investment about 15 percent of their annual budgets. That proportion is influenced basically by the preferential investment opportunities that the system of specifically-targeted and special-purpose grants-in-aid provides.

Local governments used 1.0 billion forints [Ft] of special-purpose grants-in-aid in 1991, and 3.8 billion in 1992, to develop their supply of drinking water. As environmental-protection considerations gain ground, sewer systems and sewage treatment plants figure prominently among the investment projects. For that purpose, local-government institutions claimed and spent Ft0.6 billion of special-purpose grants-in-aid in 1991, and Ft7.0 billion in 1992. In 1990, 559 settlements lacked utility-supplied drinking water, and 400 of these settlements were declared to be posing health hazards. By now, 195 of these 400 settlements have utility-supplied drinking water, and by 1994 the provision of the Local Government Law that guarantees good drinking water for every village will have been fulfilled. Never before have so many school gymnasiums been built as in the past two years: Nearly 600 elementary and secondary schools received special-purpose grants-in-aid totaling Ft3.3 billion to build gymnasiums. During the same period, 402 primary and 65 secondary schools were built. That includes classrooms in 70 settlements to teach the children of ethnic minorities. Eighty local governments are using special-purpose grants-in-aid to build homes for the aged and destitute; and 13 local governments, to modernize their hospitals.

[Pecsi] How can the statutory inventorying and protection of the local governments' assets be accomplished?

[Jozsa] The division and transfer of state assets has been completed. To improve the economic conditions of their operation, local governments have been given substantial assets that are free of debt. After the takeover of these assets, a decisive task is to define by decree the scope of the primary assets that are nontransferable. We must achieve that a proportion of the local governments' assets are channeled into their public utilities and infrastructure. Especially the large cities have received stocks of housing and premises that are of considerable value, which they can turn to good account in various ways, if suitable financial conditions are created. Through reallocations in the system of financing local governments in the 1993 state budget, therefore, proportionality must be ensured in the interest of the small settlements, so that a suitable level of institutional services guaranteed by the state is achieved in those localities as well.

[Pecsi] How freely are the local governments able to spend their grants?

[Jozsa] The state does not examine for what purpose the local governments spend their standard block grants. They are able to manage freely the grants they receive.

The local operating conditions and opportunities determine the reallocation of the funds. Also from their own sources of revenue they are able to support any investment that the respective municipal councils approve. The decisionmaking authority of Hungary's local governments conforms to the European model. Indeed, sometimes their degree of autonomy is even greater. In some Western countries, for instance, business investments by local governments are prohibited or closely controlled. And investment plans above a certain limit require state approval before they can be carried out.

[Pecsi] Regarding state audits, is there a program in place to protect public property and public funds?

[Jozsa] The Auditor General's Office, which is an independent central agency, audits the finances of local governments and the legality of their financial management. It may not make any decisions on investment-related questions. All it may do is to examine whether the local governments are managing their finances in accordance with the law. Nevertheless, it must be admitted that we lack a uniform system of state control. The staff of the Auditor General's Office is unable to audit the local governments flexibly and regularly. Organizational and conceptual changes are needed, in the sense of changing the present authority to audit legality into authority to oversee legality, and of entrusting the financial audits to the institutions of commissioners of the republic.

[Pecsi] And what are the responsibilities of the county governments?

[Jozsa] In this system of public administration, they undeniably represent the territorial principle, but they do not have authority to issue orders. They may provide grants for the realization of local objectives, or they may conclude contracts with village councils, for the realization of investment projects. It is important that in the future the county governments assume an ever greater role in interregional infrastructure investments.

[Pecsi] One often hears of statements by mayors complaining that their administrations are unable to function properly, due to discontent caused by inadequate financing or other reasons.

[Jozsa] Already in the first year after the election, the political opposition—mainly the SZDSZ [Alliance of Free Democrats]—attempted to form with the local governments a united front against the central government. In May of 1991, the opposition was even preparing to stage a demonstration that was to have been led by the metropolitan mayor of Budapest. But of the 3,100 invited mayors merely 100 showed up in Budapest. Thus the preparations to launch an “attack” were in vain, and a united front was not formed. On the basis of foreign experience, I am able to say that, constitutionally and financially, the system of local government in Hungary is stable. The accusation that our government wants to centralize public administration is without foundation.

[Box, p 10]

#### Marianosztra in 1993

Marianosztra had a population of 906 in 1991. On that basis, it received a standard block grant of Ft11,758,000 in 1992, and its retained share of the collected individual income tax was Ft4.5 million. That is the information we received from Mrs. Endre Czerovszky, the local-government employee in charge of finances. Enrollment in the primary schools is below 100 pupils, which entitled the village to Ft500,000 of additional grant-in-aid from the central government. The village (as a settlement with fewer than 1000 residents) also received Ft2,272,000, from which it is able to finance the renovation of its institutions. The government grant-in-aid that could be used to increase teachers' salaries was Ft1242,000.

In 1993, the standard block grant is Ft14 million. The share of the collected individual income tax that the village retains is merely 30 percent as compared with 50 percent last year. That means a revenue dropout of Ft2.6 million, because the mayor's office does not get supplementary income-tax revenue either. The number of local residents and primary-school enrollment are declining year by year, and thus the amounts of the various special-purpose grants-in-aid are also lower. Pursuant to the Civil Servants Law, the local government is required to provide from its own budget a 20-percent raise for teachers this year. According to the local-government employee, the grants from the central budget last year ensured essential services in the village. But this year a shortfall of Ft5.0 million is expected, and therefore private individuals and entrepreneurs will have to pay local tax as of the second half of this year.

#### \* New Industry Minister Latorcai Interviewed

93CH0493A Budapest FIGYELO in Hungarian  
25 Feb 93 p 11

[Interview with Janos Latorcai, new minister of industry and trade, by Tibor Krecz; place and date not given: “In His Predecessor's Footsteps on All Issues”]

[Text] Janos Latorcai, the new minister of industry and trade, took his oath of office before the full National Assembly on Monday. The 49-year-old new minister has a degree in mechanical engineering. He first joined the IKM [Ministry of Industry and Trade] in the autumn of 1991, as head of the ministry's Industrial Development Main Department. In addition to that position, since the summer of 1992 he has been also the chairman of the board of Raba Rt. During his confirmation hearing before the National Assembly's committee, Latorcai described himself as a “tradesman.” And he referred to Ivan Szabo as a predecessor in whose footsteps he could follow on all issues.

[Krecz] As a first approximation, what is your feeling about the value of state-owned industrial enterprises? Can the process of their declining value be halted in some way?

[Latorczi] Privatization must serve as a tool in restructuring. It is not an objective. The Hungarian enterprises are experiencing difficulties with their sources of capital and are struggling with liquidity problems. Delay in privatizing an ailing enterprise could truly result in a decline of its value. Consequently, a possible solution is to accelerate privatization. On the other hand, there must be creation of value: a part of the proceeds from privatization ought to be spent on reorganization, on improving the enterprises. Those amounts would be recovered when the enterprises are privatized.

[Krecz] What is your standpoint on the state's share of assets, which has been presented as a strategy?

[Latorczi] The scope of assets that are in permanent state ownership is still too large. And even within that scope, the proportion of assets that are under state supervision is also large. There indisputably are enterprises and groups of enterprises that, for reasons of industrial policy and strategy, must remain partially or entirely in state ownership for a long time to come. However, a government decree regulates the portfolio of AV Rt [State Assets Trust Corporation]. Which means that the portfolio can be reviewed from time to time. Moreover, AV Rt also has authority to privatize.

[Krecz] Within the government's base, in the MDF [Hungarian Democratic Forum], there are influential politicians who are demanding that a halt be called to foreign capital's acquisition of assets in Hungary.

[Latorczi] I would be hard pressed to draw such a general conclusion. In the case of any investor, the danger does exist that he might close down the given operation. The responsibility rests with the other side: Guarantees must be sought to ensure that production and development will continue. There is a paucity of domestic capital that could come into consideration as a source of capital also in that respect. Therefore we cannot refuse to consider the proposals of foreign investors.

[Krecz] Have you braced yourself for the possibility that you will have to participate in political actions that might damage your reputation as a technocrat?

[Latorczi] I truly am a technocrat and really lack the makeup of a politician. All my life I have worked free of politics, to the extent that one is able to withdraw himself from the direct effects of politics. I think I will be able to carry out my mission, without encountering the possibility you have raised in your question.

\* Jan, Feb Budget Deficit Below Target  
93CH0511A Budapest FIGYELO in Hungarian  
18 Mar 93 pp 1, 6

[Unattributed article: "Budget Under Control; The Situation of the Budget as of the End of February"]

[Text] The central budget ran a deficit of 25.8 billion forints [Ft] during the first two months of the year. Revenues amounted to Ft144.4 billion, while expenditures reached the 170.2-billion-forint level. The February 1993 deficit is Ft11 billion less than the deficit recorded in February 1992.

Ministry of Finance officials were surprised by the current positive balance. A review of last year's budgeting revealed no discrepancies that would diminish the positive findings as of late February 1993.

Industrial production grew slightly during the first two months, according to expert estimates. Business organizations received Ft9.4 billion in state funds. Of this amount, Ft3 billion were transferred to MAV [Hungarian State Railroads]. Total agricultural market subsidies amounted to almost Ft2.2 billion.

The 28.5-billion-forint deficit as of the end of February 1993 suggests that state household processes remained within the established limits for now. Collection of the scheduled Ft44.5 billion in personal income taxes suggests increased taxpayer discipline. Other revenues collected—primarily the amount of customs duties owed from last year—also increased significantly.

During the first two months of 1993 a net total of Ft6.4 billion were expended for debt service purposes. State funds amounting to Ft11.8 billion were used to repay debts owed to the central bank, Ft5.1 billion on housing fund bonds, and Ft7.3 billion for expiring treasury certificates.

State Budget (in billions of forints)				
	1992 Annual	1992 Feb- ruary	1993 Annual *	1993 February *
Revenues	790.0	115.0	950.0	144.4
Expendi- tures	990.0	152.0	1150.0	170.2

\* Projections.

\* Clearinghouse Cancels Credit Card Agreement  
93CH0511C Budapest FIGYELO in Hungarian  
18 Mar 93 p 6

[Unattributed article: "Battle of Cards"]

[Text] Two thousand merchants and who knows how many customers will suffer as a result of the officially unexplained fact that Europay, the clearinghouse that handles EuroCard/MasterCards, cancelled its agreement

with IBUSZ bank. Merchants who cleared their transactions through IBUSZ Bank so far are going to be able to accept EuroCard/MasterCards for payment only if they enter into a clearing agreement with the new bank to be authorized by Europay.

IBUSZ Bank received Europay's notice on 15 February: The bank would have to cease as of 1 March its clearing transactions for these credit cards based on previous authorization. Since the bank is unable to justify Europay's move, it is requesting an explanation and intends to conduct further negotiations based on its response. IBUSZ had an agency agreement for clearing these credit cards with Europay ever since 1969. IBUSZ Bank applied for a renewal of the agreement last fall, and requested Europay to grant IBUSZ Bank the member bank status. IBUSZ Bank managing director Ildiko Czifra said that at the time of the application all signs pointed toward IBUSZ being accepted as a member bank of Europay.

This situation is unpleasant from the standpoint of merchants because stores accepting credit cards are going to continue to clear their Visa, Diners club, JCB, and Eurooute credit cards through IBUSZ Bank, and only the EuroCard and MasterCard charges will have to be cleared through another bank.

Nevertheless, this question arises: How could Europay cancel its agreement with IBUSZ Bank, if IBUSZ Corporation, rather than IBUSZ Bank, was the party to the clearing agreement with Europay headquarters? One

wonders whether IBUSZ Corporation could have received a notice from Europay late last year cancelling the 24-year-old clearing agreement. And could it not be that the bank received another letter on 15 February, rejecting its application to become a member bank? Could it be that the merchants were notified only in the last minute about IBUSZ Bank's inability to continue the clearing service, because the bank hedged on receiving the EuroCard/MasterCard member bank status by the time the agreement with IBUSZ Corporation expired, and thus it did not notify the merchants on time? Could it be that all this was done by IBUSZ Bank to quietly convert the clients of IBUSZ Corporation into clients of IBUSZ Bank?

Banks estimate that from among IBUSZ Corporation's approximately 1,800 establishments that accept EuroCards and MasterCards, almost 1,000 are active merchants transacting a significant volume of business, and that about 80 percent of these have already reached new clearing agreements with either Dunabank or Budapest Bank. They used these two banks because Europay's official letter revealed that there were three EuroCard/MasterCard member banks in Hungary with which one could enter into agreements: the InterEuropa Bank, the Budapest Bank, and the Dunabank. But InterEuropa Bank is not yet prepared to transact a large volume of credit card business. Bankers believe that Europay acted fairly with IBUSZ Corporation and IBUSZ Bank, everything took place pursuant to agreements, and this little refreshment did not hurt the Hungarian credit card market.

**\* Walesa Blamed for Slow Transformation Process**

93EP0217A Warsaw *TYGODNIK SOLIDARNOSC* in Polish No 12, 19 Mar 93 pp 1, 4

[Article by Michal Drozdek: "The Golden Horn"]

[Text] A crisis of the Presidency in Poland might hardly seem to be the issue. A crisis generally means the collapse of something normal. But, in our country, there are as yet practically no normally functioning institutions.

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Isolated as they were from the society, the institutions and structures of the communist state departed from the premises on which they were founded and ceased to play an organizing role. There is simply nothing yet to replace them through community efforts. In principle, the state is still in a condition of anarchy. It is being governed by mummified remnants of the communist regime. The apparatus of state administration, of the military, of the police, of the special services, and of the banks is run by an old-boy network dating back to a past era. A large number of civil servants with Solidarity backgrounds have unwittingly become entangled in the interests and personal connections deriving from the old regime, whether owing to roundtable accords [in 1989, when the communists voluntarily surrendered power to Solidarity], to a calculated approach, or to impotence in the face of the existing cozy arrangements. Control by public opinion, so characteristic of the democratic countries, is absent, and so is the centralized control so characteristic of dictatorships. In such a situation, interest groups most often guide themselves by their own interests, which are not always identical with national interests. The state is being robbed. The public mistrusts the political leaderships because it feels frustrated and disenchanted. This frustration is reflected in both apathy and aggression. Such a situation is not conducive to stability and economic growth.

Could such a deplorable situation of the country have been avoided? If we consider the troubles of the other countries rejecting communism after so many years, the answer is no. Communism has wreaked such destruction on the normal fabric of the society that rebuilding on its ruins a new society that would solve its problems on its own by means of democratic institutions seems well-nigh impossible. This is indicated by the tragic experiences of all of the countries emerging from communism.

But, if we consider the opportunities we have forfeited, we have to say that things could have been better, that perhaps we had great opportunities and wasted them prodigally.

Here we approach the problem of the Presidency. As I see it, Lech Walesa bears the greatest personal responsibility for our forfeited opportunities—at least ever since he became president because earlier, contrary to the judgment of the professional forfeiters of opportunities

from the leftist wing of Solidarity, he had known how to exploit opportunities. In other words, before becoming president, he was opposed to the "thick black line" [a euphemism for leaving the *nomenklatura* in its positions] preserving the influence of communists in government, and, similarly, he wanted real independence for his country by demanding that Soviet troops be withdrawn from Poland. Also before becoming president, he foiled an attempt to establish a single party based on the leftist wing of Solidarity, which was to govern Poland in alliance with the postcommunist apparatus alone, and he demanded radical changes in the logic of functioning of the state as well as the abandonment of roundtable accords.

This program of action was to be implemented by Walesa once he became president. At the time, he enjoyed the support of nearly all of the center-right, Christian, and irredentist constituencies, which had a vision of a democratic Poland—that is, a Poland based on the control of the state by organized public opinion, with a free-market economy, an economy in which the rules of free competition prevail over cronyist links to the apparatus of power. That program had a chance of being translated into reality—at least to a large extent—had Walesa been willing to push it. That could have happened had the president mobilized the social base of support for that program, had he been willing to rally the political groupings and electorate supporting him, to establish on their basis a movement of his own, to head that movement, and to consistently implement those goals. That would have prompted the defenders of the roundtable accords and the traditional under-the-table deals to unify themselves, thus resulting in the rise of two political blocs with diametrically opposite programs, blocs that would be sufficiently strong to exercise political power in this country in a responsible manner. The experience of the democratic countries demonstrates irrefutably that a prerequisite for a workable democracy is the existence of at least two significant political parties. Any monopoly kills competition and excludes public opinion from the role of an arbiter. As a result, the government is based on opportunism of the administration rather than on social support. This is an abnormal situation. At the same time, the experience of the democratic countries demonstrates uncontestedly that too many parties are undesirable, that the fewer the parties the more stable the system of society.

Optimally, the political scene should be divided into two parts. The presence of a large number of splinter parties complicates the exercise of political power because every decision has to be coordinated with the interests of the diverse parties belonging in the governing coalition. Experts clash, interests conflict, and governance is unstable. Should there exist only two significant political parties, the ruling party would be in the majority and thus would have the freedom needed to implement its program of action, a freedom constrained only by the consideration of public opinion. It would also have an adequate

base of the social, professional, and material support needed to govern effectively. Further, it would reflect that part of organized public opinion that happens just then to gain broader social support. Such a ruling party would thus, above all, accomplish socially desired goals—and accomplish them effectively, at that. This accounts for the accomplishments of the democratic countries.

Walesa had the opportunity to lay in Poland the foundations for a stable system of parliamentary democracy. He had that opportunity, and he deliberately forfeited it. The day after his election to the Presidency, he began to set himself "above the divisions" by professing no support for any option and organizing no movement of his own. [Tadeusz] Mazowiecki rallied his supporters by organizing the Democratic Union, while Walesa dispersed those who supported him. First he was afraid of Olszewski, who wanted to form a government of radical measures, then he was afraid of Kaczynski, with his strong party. So, instead, he chose a smallish party because it lacked a broad base of social support and would be dependent on him. He could have but did not force through early parliamentary elections, in which his camp could have gained a victory sufficient to govern the country and translate into reality a radical reform program. He could have but did not champion a rational electoral law, thus bringing about the fragmentation of political parties and, hence, also of the parliament. He shifted his support from one political party to another so as to prevent any party from becoming too strong.

Walesa's policy has been unequivocally intended to fragment the political scene, to weaken the authority of the parliament and the parties. At the same time, the president sent many political signals in the direction of the old apparatus of the military and the police, instead of replacing it. Political scientists often wonder which model of the Presidency would be best for Poland: the U.S., with a governing executive branch; the German, with a governing legislative branch and the president acting as a kind of moral authority; or the mixed French model. All of these models display the same common feature, regardless of which branch of power is the principal decisionmaking center. Namely, they are models in which political power is exercised by the ruling party and therefore based on a broad social movement that is institutionally organized in the form of a political party with a particular program. Walesa chose a different model of the Presidency, one close to the Russian—a Presidency based not on social forces rallied round some program but on an obedient apparatus of state, and an apparatus of coercion at that. The Belweder [Polish White House] is trying to gain control of the military, the police, the special services, and the banking system and control institutions. Because these are domains in which former communists remain most influential, the president is opposed to decommunization and lustration [the

vetting of former communist agents]. That accounts for the collapse of the Olszewski government because its objective was to break up the communist old-boy network in the machinery of state. Because consistent changes in economic structures in the direction of a market economy and the iron laws of free competition directly conflict with the interests of the postcommunist economic apparat, the president is not supporting these changes.

The president is not creating a base of social support for himself; he is not rallying round himself like-minded people and constituencies; and he is not offering a program presenting a specific political option. The president is not acting to conform with the logic of democracy. It does not look like the president's strategy is designed to win in popular elections. Rather, the impression arises that the president is preparing himself for authoritarian solutions. But, regardless of who may rule Poland, authoritarian solutions are bound by their very nature to halt the country's growth. Any authoritarian solution must be based on that apparat alien to the nation—because it is not rooted in the nation. It is bound to allow for the interests of that apparat, the interests of the *nomenklatura*, which are not the society's interests. Perhaps they are also foreign interests because no one knows for whom the former agents and functionaries of communist special services are working.

The myth that, in Poland, as in the countries of East Asia, the economy can be revived under an authoritarian government is a dangerous illusion and proof of unfamiliarity with the basic realities of our social structure and the structure of political power in our country. An authoritarian government would mean halting the formative processes of a normal political scene, of self-organization of the society, of the rise of institutions organizing public opinion, of the rise of authentic social bonds, of the formation in Poland of a modern society and a democratic state—processes that in Poland are very painful, taking place as they are in the presence of bickering among ambitious political leaders, a discouraged public mood, a sick economy, deliberate resistance from egotist old-regime groups, and an immature and amateurish political elite. Yet, these processes are taking place and are bound to be crowned with success because Poland is an old and wise nation that no catastrophe of history has succeeded in destroying and that will not succumb to its own weaknesses, either. The man who could have markedly speeded up and assisted those processes, the man on whom so much depended, was the man so many had trusted, the legendary leader of Solidarity, Lech Walesa.

O Lech, you had the Golden Horn [...and forfeited the opportunity—an allusion to the lines "O peasant, you had a golden horn.... You were left with only the cord" in Wyspianski's play "The Wedding." The golden horn convokes the people and, at the sound of its "chivalrous tone, the Spirit will be fortified, Fate accomplished"].

**\* Lepper Founds Broad-Based Political Movement**  
*93EP0202B Warsaw SPOTKANIA in Polish No 7,  
18-24 Feb 93 p 53*

Article by Marek Sarjusz-Wolski: "Unformed Mass"]

[Text] A movement has been established that, by its size, should outshine everything Poland could have observed on its political scene in recent years.

The movement has adopted the name "Committee for the People's Self-Defense," and Andrzej Lepper has become its leader. This is no longer the "Self-Defense" of blockades and battles with functionaries. Lepper won for his ideas intellectual resources (Jan Marszalek, as he presents himself, a writer and journalist), economic theory (Prof. Jozef Balcerak, SGH [Main School of Commerce]), the patriotic-heroic sphere (pilot General Stanislaw Skalski), and even sports (Ryszard Parulski). Added to this are emerging independent trade unions and other centers, with which, despite the intrigues of Krzaklewski and Spychalska, it is holding discussions. Generally speaking, it is a "still unformed mass of humanity, a mass of people of goodwill."

The arithmetic is simple. "Veterans call me up and say, 'Stasiek, save Poland,'" Gen. Skalski declares. "And there are 830,000 registered veterans. Who can show me greater power?"

It is necessary to hurry because, lately, Gen. Skalski has had the opportunity to voice his arguments ("We are not fighting for this Poland but for an independent, strong, and just one"), mainly at funerals. Defending the thesis that Poland is far from independence is simple. Jan Marszalek, for example, catalogues 18,000 agents who operated in Poland since 17 September 1939. Some did not survive the war, but the rest did and are operating to this day: "They started with slandering the Polish state, Wyszyński, and Gomulka. Now they are reviling Walesa because he played his part in relation to the Stalinist interest groups and stopped being necessary."

According to Jan Marszalek's theory, after Stalin's death, it became clear to the communists that it would be impossible to maintain that system any longer. That is why, just in case, they created from a trusted group of comrades a so-called democratic opposition. Now the cat is out of the bag.

"Where is KOR [Workers Defense Committee]," grumbles journalist Marszalek, "when we have 3 million unemployed, and Polish workers are going barefoot? They made a big fuss when some student was locked up. Now what? That is why it is necessary to declare war on these hoaxes."

The war will be based mainly on gathering signatures on a petition calling for a new election for parliament and local government, though, naturally, Andrzej Lepper does not intend to abandon traditional, tested forms of battle or, rather, self-defense. "The Antieexecution Sector

did not permit campaigning by my deputy Marek Lech. We are also defending others."

One serious issue is regaining the full independence Poland lost as a result of the Fifth Partition. In Prof. Jozef Balcerak's opinion, this occurred in the 1970's:

"The agreement on the foundations for normalizing mutual relations that Brezhnev and Brandt signed put an end to the Yalta Treaty. As a result of this agreement, we lost our economic sovereignty, not in favor of the Soviet Union but in favor of Germany."

It was then that the strategy of destruction that every government, including the current one, has executed was initiated. The elites and foreign centers into which orders on the subject of Poland fall can be unmasked only by the popular, nationalist, independent, Christian democratic, democratic movement that embraces half of the Republic.

"The movement did not arise out of this harm. It was the harm that gave birth to it," gloats the head of this budding Great Movement. "The tragedy is at the door! What we are saying is macabre. That means nothing. We will continue to unmask them!"

**\* Press Denies Affiliation With Parties**

*93EP0202A Warsaw RZECZPOSPOLITA in Polish 3  
Mar 93 p 3*

Article by Miroslaw Usidus: "Nonparty Press"]

[Text] No Polish newspaper will admit to ties, even if only general ideological ones, to any political party. No group is satisfied with its press image.

"We fight for various specific issues—for example, a referendum on accelerating privatization—says Grazyna Minkowska, managing editor of SZTANDAR MŁODYCH. "But we are accused of leftism." She complains that newspapers are too readily pigeonholed, especially by politicians,

There are, to put it simply, two models of the free press: the U.S., which interprets objectivity as absolute impartiality, and the European, which emphasizes the interpretation of facts. But it generally interprets from some point of view, so, on the old continent, we have the conservative LE FIGARO and THE TIMES, the liberal LE MONDE, and the social democratic FRANKFURTER RUNDSCHAU. Here the European model prevails decisively. It is enough to listen to Ernest Skalski of GAZETA WYBORCZA.

"The point of view of the Democratic Union, the Liberal Democratic Congress and, in a certain sense, the Union of Labor is close to us because we have sympathy for those who are doing poorly in the new reality, even though we are emphatically in favor of a market economy."

## POLAND

It was said of TYGODNIK SOLIDARNOSC [TS] that it was close to Jan Olszewski's RdR [Movement for the Republic] until, finally, TS management was forced to issue an official denial. Recently, similar rumors have been circulating about SPOTKANIA. "Absolutely unfounded," says Anatol Arciuch, head of the weekly. "We continue to be totally neutral." He adds that one may not confuse criticism of attempts to repudiate democratic institutions, such as parliament, which SPOTKANIA takes on without hesitation, with assuming any kind of political position.

Another title, CZAS KRAKOWSKI, is also associated with the RdR. The managing editor of that newspaper is Jan Polkowski, who served very briefly as press spokesman in Olszewski's government. He himself confirms the paper's independence. "We have a conservative outlook. One could talk about certain things in common with the RdR—for example, the issue of accountability—but in no way are we a party newspaper," he assures us.

On the other hand, KPN [Confederation for an Independent Poland] spokesman Zbigniew Adamczyk complains about the information blockade, whereby the most important publications have taken over everything associated with the confederation. "This has been going on more or less since the beginning of winter," he says.

"Information on the subject of the KPN is altered, fragmented—in a word, concocted."

The Center Accord [PC] finds itself in a similar situation, if one believes its leaders.

"Even if we wanted to publish a political newspaper, we would be unable to because EXPRESS is an afternoon paper, and its readers tolerate, at most, the sensational, lobbying side of politics," says Slawomir Siwek, president of the Press Solidarity Foundation, to which EXPRESS WIECZORNY belongs. "The fact that Jaroslaw Kaczynski chairs the paper's board of directors does not signify any direct influence on its line. Yet there are general boundaries: a sensational publication, yes, but not vulgar like NIE; it refrains from brutal attacks on the church, maintains certain canons of custom, and, of course, straightforward information about the PC."

NOWA EUROPA is headed by a member of the KLD [Liberal-Democratic Congress] Parliamentary Club, Witold Gadomski. NOWY SWIAT will very likely have a new leader soon—Mieczyslaw Gil, a Christian Democratic Party deputy and, as some would have it, a Belweder product. TRYBUNA calls itself a social democratic newspaper on its masthead, and SLOWODZIENNIK KATOLICKI has a church lecturer on its editorial staff.

**Roundtable Participants Question Foreign Minister**

*93BA0616A Bucharest "22" in Romanian 4-10 Feb 93  
pp 7-10*

[Discussion at the Group for Social Dialogue with Teodor Melescanu, minister of foreign affairs; place and date not given: "Romania's Image in the World"]

[Text] [Thomas Kleininger, Group for Social Dialogue] Minister Melescanu, to start with I would like you to present us with a theoretical framework for the relationship between the image of a country and its domestic political situation.

[Melescanu] The image of a country is formed of two separate parts: One is the reality and the other is the means for transmitting this reality abroad. The Ministry of Foreign Affairs is concerned with the process of transmitting the image abroad. The first part—the commodity we must sell—depends much less on us. So we are working with "the client's material." Each of us is responsible for a part but I do not think our interest is to devise a Machiavellian activity of selling something that does not exist.

**Romania's Government Practices a Policy of Duplicity**

[Andrei Cornea] Minister, as far as I am concerned I think you are an intelligent, well-trained person, a career diplomat. Keeping this in mind, I hope you do not take my frankness the wrong way. I have the feeling that the current government and the current coalition aiding the government, and even you personally in some of your public attitudes, are conducting what I would call a "policy of duplicity."

First there is the principled problem of the alliance between the governing party and the Romania Mare Party [PRM] and the Socialist Labor Party [PSM]. It became absolutely clear that there was such an alliance when the delegation was sent to the Council of Europe. Of course, you can assert that this is Parliament's responsibility, not yours. And then I would ask you if you as foreign minister drew the attention of the country's president and the presidents of the Chambers of Parliament to the unpleasant consequences which may occur in this connection. And if so, why has this position remained secret? Just today we learned that Mircea Hamza has been appointed to the Press Secretariat of the government, given that he is well known as a member of the PRM, earlier having been spokesman for Corneliu Vadim Tudor.

We feel that at this time, when the Serbian barges are violating the Danube embargo, Romania needs credibility. How will it gain credibility when the allies of the governing party are deeply hostile to all the UN resolutions on the Iraq and Yugoslavia problems? When their press has praised Saddam Husayn for years? And the governing party, as far as I know, has never disassociated itself from its allies.

And, finally, I want to touch on two other matters. One concerns you directly. It is the matter of an interview in EUROPA (12-19 Jan 1993), an issue in which we read an article entitled "Iraqi Leader Saddam Husayn Believes in the Rapid Reconstruction of His Country," followed by "the Judaic-FSN [National Salvation Front] Stupidity." And then your interview appeared below that. The simple fact that you granted an interview to such a journal seemed somewhat surprising.

And, finally, a recent event which does not concern you personally but about which I think the Ministry of Foreign Affairs should take a position: I think that the decision of the Prosecutor's Office's to initiate legal action against Doina Cornea, precisely in the preliminaries to the discussion at the Council of Europe, is such a big and inexplicable blunder that even I ask myself what is happening. Again, you may tell me that this is the action of the Prosecutor's Office, that there is a separation of powers. And you ask yourself why the Prosecutor's Office was not concerned with so many suspicious figures, including Ilie Neacsu, who is writing articles in EUROPA encouraging criminal behavior.

[Melescanu] After the general elections took place, we received many signals connected with the special importance of the way our delegation to the Council of Europe would be composed. It was no secret that our success at this institution to a certain extent would also depend on those representing us, on their qualities and the way in which they would represent us. All these signals (received through our embassy in Paris, which maintains a certain relationship with the Council of Europe) and even certain recommendations, opinions, and suggestions connected with the delegation, were sent to both the presidents of the two Chambers of Parliament as well as Romania's prime minister and president. What is more, I can tell you that in several notes I sent to the two presidents of the two Chambers I stressed this and I sought to express our opinion that truly the composition of the delegation would be extremely important. Of course, in the end the decision on composition of the delegation does not belong to us.

A second matter: my interview in EUROPA. I have heard other comments but I want to assure you that I was not shown the paper's layout. Of course, I could have guessed what kinds of articles there would be in it or what photos would appear on page one; but one of the principles I have had and I continue to have is not to divide the press into one side and the other side. I do not feel that the policy of one party or even of an alliance of parties should be made at the Ministry of Foreign Affairs. I think promotion of a national policy which, if possible, answers everyone's interests should enter into the ambition of the Ministry of Foreign Affairs. I felt that when someone asks me a question I should answer, with my answer being linked exclusively with what I was saying and publishing and not with other materials appearing in the paper. Probably at that moment I did

## ROMANIA

not estimate very correctly the impact that this could have. I also received the kind of comments you are making today from others.

As to the Doina Cornea matter, clearly the timing of it is extremely poor. However, I did try to find out what it's all about because this matter was raised yesterday or the other day during a meeting I had with the delegation which is to participate in the work of the Council of Europe. Following the discussion I had with representatives of the Prosecutor's Office we see that we are not dealing here with a formal charge. It is merely a question of taking part in certain hearings; Petre Roman, Adrian Severin and in this context Doina Cornea were invited and did participate. True, I saw the copy of the citation sent to her calling her "the accused." What is more, I was assured that it is not a matter of any effort to bring anyone now to Bucharest to the Prosecutor's Office. It was an invitation. I agree with you that perhaps the timing is most unfortunate.

In the discussion with the delegation for the Council of Europe I emphasized very much some practical advice I wanted to give them regarding moderation. My main message was that we should not be rude to people who are asking you an uncomfortable question; in 99 percent of the cases people ask these questions because they do not know the answer and not to create difficulties for you or to express a feeling of hostility toward you.

[Andrei Cornea] Keeping your position in mind, could you still state very clearly and firmly the failure of the delegation to adhere to this formula in the form which resulted?

[Melescanu] Please allow me to answer this after the delegation returns from Strasbourg and after I see how its members acted there. And then I promise I will give you some opinions.

**"In My Opinion Romania Does Not Want To Enter the Council of Europe"**

[Caius Dragomir] With regard to the problem of the parliamentary delegation it is unfortunate that there was no discussion about the political background for Romania's participation in the Council of Europe: what we are specifically doing, under what condition, how much not to accept, how to proceed. This would have been the role of each party to say what they would say there. The discussion was reduced to the problem of how much each party should participate and who should decide the representative of each party—the party or the Parliament's plenum. A number of party delegates were sent to the Council of Europe, not a parliamentary delegation. Is that good? Is that bad? We shall see.

[Melescanu] I think this is the system for making up all delegations. A percentage is taken relative to the number of available places and that is how they are distributed. It is almost a mathematical operation.

[Caius Dragomir] We of the opposition clearly have our share of blame in the matter of choices: A total vote was arrived at so that each would not lose the person with whom he wished to go. So we accepted Adrian Paunescu—who is a destructive, not a representative, member as far as the image of this delegation is concerned—in order not to lose our own.

[Dinu Patriciu] I am sorry to interrupt you but I must say that the entire opposition voted for election by name; the FSN was the only one to vote for the list. So I understand what you have said as a kind of self-criticism.

[Caius Dragomir] I was not in the hall for the vote precisely for this reason: I did not like what had been decided there. But if somehow you were there when I spoke, you know that I proposed an election by name.

[Dinu Patriciu] I have to disagree with what Minister Melescanu said. It is true that a purely mathematical procedure was adopted according to which some positions for the parliamentary groups resulted. But this arithmetics could not result in three delegates from the opposition and six and one-half from the majority, with half representing the minorities who would not be placed into either one side or the other. So arithmetic could not lead to 30 percent compared with the 47 percent that the opposition represents. The fact that the algorithm was not respected and that for the first time an amendment not conforming with the regulations was proposed in Parliament led to this formation of the delegation. And the goal was precisely the presence of Adrian Paunescu at the Council of Europe. This made us ask ourselves whether or not the interest of the majority exists for Romania to enter the Council of Europe. My opinion is that entry into the Council of Europe is not desired. Because it was absolutely clear that certain people in the delegation would prevent this entry. On the other hand, the text proposed to us by the foreign policy commissions (led by the government alliance) as a first formulation of the joint statement of all the political forces in Parliament was a text whose preamble stated that everything is perfect in Romania, that we have reached an ideal democracy, while in the second part we threaten the Council of Europe that if it does not accept us, Romanian public opinion would get mad at it. It was an absolutely unacceptable text for any politician with a head on his shoulders. In the second formulation, from the virulently nationalistic text that it was at the beginning it became a very bland one, merely stating that all forces in Parliament want us to enter the Council of Europe.

[Melescanu] At the risk of making you angry, I think that in many ways it is much more correct for me to go to the Council of Europe with a delegation that represents reality as it is. I do not think we should set tricking the Council of Europe as a goal in itself. If we do not correspond to the standards of the Council of Europe that means we should not enter this institution. It is not a matter of our presenting ourselves other than the way we are.

[Andrei Cornea] Minister, Mr. Patriciu said something that I also grasped without knowing all the secrets of the bizarre arithmetic that was used there. The fact is that this party, called the Socialist Labor Party—which obtained under four percent in the elections—has a representative, while the Democratic Convention—without Hungarians—also has one representative although it obtained 20 percent of the votes in the elections. Pardon me, but it is very difficult to convince someone—and I do not think you would try to do that with us, at least here—that an arithmetically correct procedure could not have been applied that would have offered the parties a truly proportional representation.

And I want to say something else. This story of "reality should not be nicer than we really are!" What really is reality? Who decides what reality is? Reality is a Parliament which is in a way known. But the whole Parliament is not going there, just ten people from it. Is it necessary that the biggest extremists from this Parliament be present? Is this reality? A democracy should also have the ability to defend itself. It also should have certain intolerances; it should not accept just anything.

[Ilie Serbanescu] Minister, do you feel we are required to go to war over the "barge business" or not? Do you think the price for not entering a war is a definitive statement that we belong to the "Soviet" sphere of influence?

I cannot allow myself to ask—because I know that you would not be able to answer—whether Romania is heading toward the East or the West. I will ask you in a different way: Do you think we have any chance not to head only toward the East, as we did in the last 50 years?

#### **"I Think the Soviet Union Will Be Restored as an Empire"**

[Melescanu] We have to eliminate a false problem. We no longer are posing the problem of choice. As of Monday, 1 February, Romania's option will have been resolved. Because on that date Prime Minister Vacaroiu will sign the agreement for Romania's association with the European Community. An agreement in which, to all of our surprise, less than half of the provisions are economic ones. More than half of the provisions in the agreement for association—approximately 300 pages—refer to Romania's political, social, cultural, scientific-technical and financial integration in the European community. So from this point on my opinion is that the problem of choice no longer has a point. We have chosen, signed, and become part of a process which in time will have no other outcome. What is more, I feel that from the ideological viewpoint we cannot head toward the East, because the Soviet Union, as an empire based on a certain ideology, will be restored. Another ideology, one uniting certain entities, will have to be found. As I see it, in all probability, this ideology will be the idea of Panslavism. Because I do not see another common denominator. But Romania and Moldova cannot be Panslavist countries. This would be a danger for Serbia, for Bulgaria, Poland, Slovakia and perhaps

even for the Czech Republic. But there are three countries here—Hungary, Romania and Moldova—which cannot adhere to such an ideology because they are exactly at the opposite pole. So from my viewpoint the problem of choice no longer is posed.

In connection with the war with Yugoslavia, Romania is ready to take any measures that would ensure that the embargo is applied, including measures of restraint, on condition that they do not endanger human life or produce excessive or irreparable material damages. I think this position ensures us a certain margin of security. I do not say that it is easy in each case to understand what this means. I am not the one who invented our position. The words I spoke before are words from the Security Council resolution which states the following: "The embargo against Serbia and Montenegro is to be applied without the use of force. In case the use of force is necessary, it is to be proportional to the action of violating the embargo and is to be carried out so that loss of human life is avoided and excessive or irreparable losses are prevented." So a limit exists which I think we cannot exceed in any case. I do not think we could enter the war at the present time on the basis of existing provisions.

#### **Do Securitate Collaborators Still Exist in the Diplomatic Corps?**

[Doru Cosma] Minister, don't you think that having people who were former *Securitate* collaborators before the Revolution be members of the diplomatic corps, after the Revolution, does damage to Romania's image abroad?

[Melescanu] We should define what we understand by the *Securitate* and what we understand by "former *Securitate* collaborator," because here the concept of "*Securitate*" actually means the repressive political apparatus. As far as I know, at present there are no former members of the repressive political apparatus in the Romanian diplomatic corps. Once we have the smallest amount of evidence about someone, I can assure you that that person will no longer be working at the Ministry of Foreign Affairs. On the other hand, I do not think there is any country in the world which does not use the procedure of diplomatic cover for those concerned with gathering information. If you give me such an example, I am ready to make an exception.

[Doru Cosma] But the press has issued a very precise list naming members of the diplomatic corps.

[Melescanu] The Ministry of Foreign Affairs does not have personnel files available. After the Revolution those particular files were destroyed and we have personnel files according to the U.N. system, which contain forms completed on their own responsibility by those hired.

## ROMANIA

### King Michael—Still Bound by a Law Passed by the Horia Sima Government

[Doru Cosma] I have a question regarding the visas for His Majesty King Michael. If I remember correctly you made a statement that there is no problem for the king to enter the country if he arranged the matter with Romanian authorities. And I understood that it was a question of Romanian citizenship. Don't you think that the government and the Ministry of Foreign Affairs, respectively, have the moral and legal duty to repeal the measure withdrawing his Romanian citizenship, applied in 1948 by the pro-Soviet Groza government on the basis of a law of the National-Iron Guard regime from December 1940, when the vice president of the Council of Ministers was Horia Sima? Don't you think that, by not doing this and by not repealing this law on its own initiative—a law that was passed under pressure from occupying Soviet forces—the government is becoming the successor of communist and Iron Guard regimes?

I say this on the basis of two provisions included in our current Constitution. Article 5 paragraph 2 says that the citizenship of anyone born on the territory of the Romanian nation cannot be withdrawn and this is the case of King Michael. Article 150 paragraph 2 says that all normative acts not compatible with the current provisions must be considered repealed. So the legal basis for this withdrawal of citizenship has disappeared. Therefore, doesn't the government have a direct obligation to repeal the measure withdrawing citizenship and not to put King Michael (who is much more than an ordinary citizen and is a figure of our modern history) in a situation of inferiority?

[Melescanu] We have to make a distinction between two completely separate things: One is the visa and the other is the citizenship. The problem of visas no longer exists once the problem of citizenship is resolved. A first question: Right now, it is possible to issue a visa without any problems if a Danish or British passport is presented in order to obtain a visa. The second point I want to make, and it is one I have made repeatedly, is that I personally feel it is wrongheaded to try resolve the problem of travel with a visa first; the most normal thing would be for us to first solve the problem of citizenship, which would eliminate all the other problems. You referred to the Constitution and I would ask that you allow me to give my interpretation also. Nobody can be deprived of his citizenship. But King Michael was not deprived of his citizenship now. So the first provision you referred to does not apply. Second, the normative acts not in conformity with the Constitution are repealed. The act depriving someone of his citizenship was an administrative act, not a normative act.

[Doru Cosma] First it was an administrative act, but it was issued on the basis of a normative act: the law of 9 December 1940.

[Melescanu] I see the point of your argument and that in spirit the Constitution has a completely different approach to the problems of citizenship than was the

case before. But even you gave the answer to the final part, saying that King Michael is not just any ordinary citizen because he is a political figure. So I believe that for us to try to deal with this problem strictly from a legal point of view would be only a partial solution.

[Doru Cosma] Are you not forgetting that the constitutional principle asserting the equality of all citizens before the law? So then, why should we create a separate situation for King Michael because of the simple fact that he is a figure in our modern history? Because that is what it boils down to. You tell him he is not a simple citizen, that he belongs to Romania's modern history and you place additional conditions on him.

[Melescanu] We are trying to find an amicable solution to this question. Solving the problem of the legal status of the institution of the monarchy in general has very many other collateral problems, including problems of ownership. Repealing that particular decision also means repealing all the others.

[Doru Cosma] And do you not believe that you and your government should take the initiative to repeal this abusive measure which no longer has moral support or historical justification?

[Melescanu] It is hard for me to answer you whether we should take the initiative to repeal it. But we should take the initiative to solve this problem and we have taken it.

### The Embassies Also Create Romania's Image

[Gheorghe Jovin] With regard to members of the *Securitate* in the embassies, the problem is not that they are members of the *Securitate* but rather that they are not diplomats. I was in an embassy before the Revolution. There were some scary-looking types there who kept running around in the hallways making a horrible impression; the fact that the ambassador was an idiot was not even important. But the one who accompanied us wrote about a 30-page report on us in which he did not say anything bad, but he had to write it. The feeling people have going into our embassies is not too comfortable even now.

I would also like to tell you some things about the way in which foreigners can get information about Romania. I was looking after a group of Britishers and at the end they showed me the information they had about Romania. We should not be surprised that everyone coming here has a bad impression of Romania if you look at that material. We should try to show that we still are a country with a civilized past. I would like to ask you just what you are doing in this regard, given the fact that the Ministry of Foreign Affairs plays a very important role.

[Melescanu] The budget of the Ministry of Foreign Affairs for cultural propaganda was 12 million lei last year, while that of the Department of Information was 365 million. With these 12 million lei, which is very little, we created five cultural centers. People are taking

action in these cultural centers and I hope they are not former *Securitate* people; they are your colleagues, people proposed and endorsed by the Writers' Union.

**Pollution of the Danube Leaves Romanian Cities Without Drinking Water**

[Ana Sincai] Minister, from the point when Prime Minister Vacaroiu signs the agreement with the European Community on Monday, does that signature mean that restoration of former communists will stop? A second question: Can't you request aid from the allies to preempt an attack by the Serbian ships on the Danube?

[Teodor Melescanu] With regard to the first question, my answer was referring to Romania's foreign policy option. With regard to the country's domestic evolution, the answer depends on each of us and on all of us together. The idea was that Romania has made this choice by associating with the Common Market and the European Community and this choice is toward the West.

With regard to the Serbian barges on the Danube, we took an extremely firm step about the Ukrainians where we said that evil must be stopped at the source and that they have to take measures. We agreed that tomorrow and the day after tomorrow we will have an expert consultation in the area of border police and customs in order to prevent barges from crossing into Romanian waters if they do not have the necessary approvals to continue on their route. We took the same step with our allies—the United States and England—whom we asked to intervene directly not only with us but also at the place where the barges are being loaded. We took the same step with the Security Council. The Ukrainian Government confirmed very clearly to us that it does not participate in these practices and came out for respecting the embargo but it said that "there are a number of companies in a very difficult financial situation and we cannot exclude the fact that certain petty interests are responsible for these actions!"

In connection with specific requests, another one of our initiatives will be presented in the Security Council tomorrow requesting aid of any kind, including a greater presence on the Danube of countries other than Romania. However, there are several problems that I would like you to understand. All Romanian cities on the Danube or near the Danube are supplied exclusively with water from the Danube. Even the smallest amount of pollution of Danube waters leaves them without drinking water. The Ministry of the Environment told us that it does not have available any kind of equipment or substances which would prevent such a catastrophe. Our request was a general one for aid and to apply the embargo and prevent any effects. It seems that the Serbs' decision to carry out their threats is a real one.

[Radu Calin Cristea] My feeling is that maybe we will succeed in making fools of ourselves at the Council of Europe but the real difficulty, the one which will tip the scales in one direction or another, is the reports which

have come out and will continue to come out telling us what is happening here. I would like to mention such a report. I am convinced you know about it. It is a matter of a point of contention where Romania is criticized for making the civilian institutions excessively militaristic, expressly referring to the Prosecutor's Office. So I would like to ask you who you sent this message to and generally how the discussion went and what the reaction was.

A second question: the four resignations from the Chisinau Parliament, which will cause formidable difficulties for unification chances. I remember that last Sunday Mircea Druc said in a press conference that if this pro-unification bastion collapses too—and he is the former president of the Senate—then actually the fate of the pro-unification movement would hang in the balance. I would like to ask you how the unification card will be played in all relevant aspects, that is, the geostrategic, the political, and the economic. I do not know if it has reached the Ministry of Foreign Affairs, but maybe I should ask you to refer to an absolutely scandalous interview which appeared in PRAVDA at the beginning of the week in which an important Soviet officer talked about the fact that the Kazaks in Serbia are being received with cheers and are enlisting in the Serbian troops. What is more, he suggested that the 14th Army would become a kind of turntable defending the entire Slavic zone. So in this context how will Romania play the stakes from now on?

[Melescanu] Really I want to confirm that a very big role will be played by the three reports which will be drawn up as a result of the visit of three rapporteurs in Romania during the 8-10 March period. It is true that a German lawyer also wrote a report whose purpose was to analyze the compatibility between Romania's legal system and the one which the Council of Europe feels represents a modern, democratic legal system. This report is to inform members of the Council of Europe so they can form an opinion, particularly for the three reporters who probably will pose certain specific problems from the report during the visit they will make in Bucharest. This report was rather long and positive, except for some references to the problems of excessive militarization; in this regard, the fact that even the president of the Supreme Court and the prosecutor general have military ranks is one of the points mentioned most often. The legal system also is in a transition stage in Romania, but starting 1 July a revised legal system will go into operation compared with the one we have, a system which includes abolishing the Prosecutor's Office and creating an Investigative Prosecutor's Office. In connection with excessive militarization it seems to be an exaggerated conclusion, because those two are not career military men.

With regard to the resignations from the Chisinau Parliament, they have not taken place yet. These are some positions taken by Radio Chisinau. Well, resignation from Parliament is done in Parliament, not on the radio. I think it is a matter of certain figures in Moldova

## ROMANIA

expressing a certain position in connection with developments currently taking place in Chisinau. So I would not adopt a final position now. We will have to see what really happens in Parliament.

The strategy cannot continue to be anything but a rapprochement between Romania and Moldova and integration in a culturally and spiritually united area. Because actually what both we and they, the majority population, lack is the awareness that we belong to the same people. The priority is to create a national awareness.

With regard to your commentary on the Kazaks and the 14th Army, as you know, the 14th Army from the start has been the army of intervention for the Balkans. So what is being said now is nothing more than confirmation of the fact that the strategic goal of this army continues to be intervention in the Balkans.

#### Contribution of the Department of Public Information to Romania's Image in the World

[Virginia Gheorghiu] I would like to focus on the logic of the discussion, and in this sense return to observations made by Mr. Jovin in connection with perceptions of Romania's image. I will tell you a few things about the Department of Public Information and about what we have tried to do throughout the course of the year to improve the country's image.

The initial concept with which we approached our subject was this: While the Ministry of Foreign Affairs works on the principles of traditional diplomacy, addressing governors and official institutions with the purpose of concluding treaties and understandings; and while the Romanian Cultural Foundation focuses on the Romanian diaspora for the purpose of sensitizing and resensitizing them to the fact that they belong to a common spiritual matrix, we in the Department of Public Information have proposed to address ourselves to those living abroad, not to official institutions. Undoubtedly we are limited by material and human resources. The Department of Information currently has 30 employees. With these 30 we also have made some of the blunders seen at the exhibition in Seville and there was a TIME supplement, too. For the TIME supplement we focused on people interested in Romania, particularly businessmen.

One of the priorities of government policy at the present time is to stimulate foreign investors. We have tried to diversify and focus on a variety of groups and have had to find resources to tailor our information for that particular audience. Another group interested in Romania is academia, the university, which is interested in Romania's cultural life. In this regard I can only praise what Caius Dragomir did until September-October 1992, namely, financing, but without very much publicity, a large number of cultural magazines belonging to the Writers' Union—very well-received magazines—whose disappearance would have created a negative image. Currently we are subsidizing SFERA POLITICII,

which is not a pro-government journal because it is a bilingual journal, which means it is also accessible to the public abroad who in this way perhaps can have a theoretical analysis of the Romanian phenomenon.

Those coming to Romania do not very easily have at their disposal *basic information* [in English] (basic information on the Romanian political system, on Romanian institutions, personalities and so forth). We are now in the process of publishing, and this is probably new for Romania, our agenda of 1992 government activities together with domestic and foreign perception of government activity in the mass media; in other words, a compendium, something very common in Great Britain. The British bring something like this out each year. We are doing it for the first time. A short time ago we began to translate official statements in foreign languages. Mr. Stolojan's report was translated into English and French as well as the current prime minister's investiture speech. These things might seem trivial, but for the first time the resources and the determination exist to do something like this.

[Radu Popa] In 1991 and again in 1992 students who graduated from the Faculty of History, which is one of the reservoirs for the Ministry of Foreign Affairs, were selected to enter the Ministry of Foreign Affairs. We were very greatly surprised that exceptional students with very remarkable qualities were being bypassed in favor of less well-qualified students. Of course I will not name names. Is this a deliberate policy? Is this a case of incompetence on the part of the people who were sent to look for candidates with whom the Ministry of Foreign Affairs and our cultural offices abroad will be staffed five or ten years down the road? I can tell you that from the viewpoint of politics, choice of family, origin, and the files this resembles perfectly what happened in 1980-1985.

[Melescanu] The only recruitment method in the Ministry of Foreign Affairs starting in 1990 has been on the basis of competition. All those who pass the medical exam, the psychological testing, are under 35, and know two foreign languages are accepted in the competition. The grades received in college or any files are not taken into consideration. Really we are facing a continuing drop in the general level of training of those entering the ministry because the salaries are very low. A director in the ministry has a salary equal to that of a sergeant guarding the entrance gate. The mirage of foreign countries, which was one of the recruitment incentives, no longer exists.

#### Perception of the Opposition as an Enemy Is a Throwback of the Past

[Emil Constantinescu] Minister, we all recognize that you have a very difficult task. I do not think it is easy for you to sit in the seat occupied by Titulescu, just as it would not be easy for me to sit in Iorga's chair. I recall that you quoted several words of Titulescu's before Parliament: "Give me a good domestic policy and I will

give you a foreign policy accordingly." This is what you need, too. I have very mixed feelings about you because I realize you are in a difficult situation: You are the one who knows what is happening abroad and what is happening inside the country. Of course, the government can spend billions on Romania's image but that image can only be what it is in reality. It would have been much better if the government as a whole had not made some blunders which have caused enormous damage to this image. Many of us carry with us mindsets from the past, such as the government perceiving the opposition as an enemy. The opposition is being used as an argument when things are not going well, especially abroad. And then there is Romania's image abroad, which is the image of the government, not of the country as it is. If things remain like this, it seems to me that the problem of the delegation for the Council of Europe is just the tip of the iceberg. Also the tip of the iceberg is the problem of the militarization of the Prosecutor's Office, because the problem is not that the prosecutor general is a general or that the deputy prosecutor is also a military man, also a general, but that the Prosecutor's Office is seriously undermining the state of law. If we continue to cling to the mistaken idea, dating back to the time of the "Iron Curtain," that people in other countries are not informed about Romania, well, we should now acknowledge that those abroad do know what is really happening in Romania and can find it out by themselves. They do not need somebody "bad" from the opposition "to tell on us" abroad, which is how the scandal sheets are presenting the situation.

#### The Prosecutor's Office Is a Stalinist Relic

Returning to the Prosecutor's Office: It now will be changed into a public ministry. But for the moment it remains a Stalinist relic whose purpose was to apply party policy and which now enjoys the principle of the separation of powers in the state. Only through this unhappy mixture, which was prolonged yet another year—the third—can it be explained why the Prosecutor's Office, with a contempt which is hard to imagine in any vaguely democratic regime, has refused for three years to investigate the assassins of December 1989, the terrorists, the miners or the serious cases of corruption. It is very clear that we cannot speak of Romania as a state of law. And, Minister, these are matters which make your task to present Romania as a state of law very difficult. And there is something else which means that, if we do not resolve it, we can send just representatives of the opposition to the European parliament and we still will not be believed. It is the problem of extremism, which today is a problem for all of Europe.

There now are two clearly extremist groupings in Romania's Parliament: a leftist extremism—true communism, which is the PSM—and the second, which is the PRM, the most pure expression of national communism. When the PRM leader appears in Parliament clearly stating that he is an anti-Semite, a chauvinist, a facist, when he asserts that there are "enough bullets for the Gypsies and they are cheap," when he exalts totalitarianism in all its

forms and when he brutally asks for liquidation of the opposition forces, this should make us think.

Extremism and nationalism exist in all countries and there are extremists-nationalists in their parliaments. The problem begins when this extremist minority speaks in the name of the majority and claims that it represents the majority. But you, Minister, have problems because you are a government which exists with the aid of these extremist groupings. Three months have passed and we have not seen from the president and the prime minister even the smallest sign, not one of condemnation but at least of curbing these extremist groupings. On the contrary. If this effort to curb them is not made, your task of presenting Romania as a democratic country and as a country with a state of law will be very difficult, even if we try to help you. In all my visits abroad, I stated in the presence of ambassadors and in the press that we have not only hope but also faith that Romania will represent a stable social zone in the future with no ethnic conflicts. This is not important only from the political viewpoint. When serious economic ties are discussed, state or private investors are interested primarily if stability exists, a stability which cannot be achieved without limiting these extremist groupings, which are antinational. If we come to agreement on this matter, the opposition and the government, together we can build an image which also would correspond to the truth.

#### What the Opposition Says Is Very Important for the Ministry of Foreign Affairs

[Melescanu] Mr. Constantinescu, the opposition-majority relationship which you have presented is not one that is shared at the Ministry of Foreign Affairs. On the contrary. It is much more important for us what the opposition says and does because this offers much greater credibility. I will give an example. After he was in Romania I asked Tom Lantos what impressed him the most and what would be an argument for him. He said the only thing that left him with no argument was the fact that absolutely everyone, including the opposition, has come out for granting the Most-Favored-Nation status. So, from our viewpoint, what you did in Italy, what Mr. Ratiu did when he held an interesting talk about the problems of minorities, the letters he sent or is sending to other leaders or important figures in the opposition have not been received poorly or in a bad spirit, as if they were seeking certain shady purposes.

Second, I think a basic delimitation will take place. Because around 15-20 February the Vacaroiu government will present a program for governing. At the risk of causing many smiles, I will say that it is a four-year program. I think a very good opportunity will appear to set some limits within which the government will move as a result of this program and as a result of presenting and discussing it in Parliament.

[Dinu Patriciu] Minister, I admire you because you have made the atmosphere less tense through each answer you have given with extraordinarily great friendliness, which

## ROMANIA

does you proud, utilizing the idea (which cannot help but be that of a foreign minister) of the national consensus in the general problems of foreign policy, not just of image. Of course, this technique is to be admired. But you are part of a government with a certain political orientation. It is a government aided by communists, by national communists and by the FDSN [Democratic National Salvation Front]. In the discussions we have in the permanent offices, with leaders of the FDSN groups, they are more to the Left than the PSM (I will not discuss the case of Adrian Paunescu). Another grouping within this FDSN is many times more radical-nationalist than the PRM. So you represent this government; you are part of it and you are conducting the interests of Romania in the name of this government. Do you believe sincerely that a consensus is possible? Is a consensus possible between two groups split by a fault running through Romanian society? Just one single conflict exists in Romania: between parties who turn toward the West and parties who turn toward the East. You, who represent the FDSN, assert that Romania will turn decisively toward the West, while the FDSN, that is, the majority grouping in this Parliament, clearly is turning toward the East, in words as well as deeds.

[Melescanu] If we accept Mr. Patriciu's analysis, that is, that a cleavage exists in Romanian society, then as an individual I have two opportunities: either to say that there is no chance to find a common denominator for these two extremes or to feel that I cannot yet give an answer to this problem but I should try to find the middle ground. I think this characterizes the way in which I myself view my duties. I don't know whether this opportunity exists, but I feel it deserves to be tried. If I reach the conclusion that it is not possible I will take on other duties.

[Thomas Kleininger] We shall end here, but not before saying that Mr. Melescanu deserves to be complimented for his professionalism. What I wish is that you understand that professionalism is not everything, that a technical approach to the problems of Romania's image is not enough and that, actually, you are a figure who, like it or not, has entered into history and must be measured in your relationship with history. And it is as result of this that all the problems appear, problems you must confront, and for which you must find solutions.

**\* Hungarian Reformed Church's Enterprise in Oradea**

93BA0771A Budapest KOZTARSASAG in Hungarian  
12 Mar 93 pp 86-87

[Interview with Ferenc Ambruzs, director of the Reform Corporation, by Mara Szakats; place and date not given: "Transylvania; Church Enterprise"]

[Text] Chemical engineer Ferenc Ambruzs, 33, has established an enterprise called Reform Corporation, at the

*request of Kiralyhagomellek [near Bucea] Bishop Laszlo Tokes. Mara Szakats conversed with the engineer-director.*

[Szakats] The activities of the Reformed Church in Nagyvarad [Oradea] have expanded since 1990: A gymnasium and an academy run by the church have been formed. These are social institutions that had not been functioning for 40 years. Where does Reform Corp. fit into this group of institutions?

[Ambruzs] Traditional church activities require substantial, long-term funding, and collections and dedications do not satisfy this need, because both the church and the parishioners have become impoverished. One cannot rely on assistance provided by foreign churches, foundations, and institutions, either, because the level of funding by these is unpredictable. Like every budget, the church budget also requires secure financial resources. The church, too, must try its hand in enterprise, in establishing capital in the form of commercial corporations, which generate returns, to enable the church to expend the profits to satisfy its needs.

Based on these considerations we began to organize an enterprise in late 1990. After lengthy preparations, the leaders of the Reformed Church and foreign entrepreneurs drafted a statement of intent to form a commercial company operating as a limited-liability joint-venture corporation, whose capital would benefit the church, one that would attract foreign partners to pursue a certain scope of activities, which could relieve the concerns of parishioners. They determined that no activity contrary to the church's ethics—such as liquor sales and gambling—could be pursued.

The corporation's scope of activities was determined on this basis, and a decision was made that the corporation should have an agricultural, food producer profile, in due regard to the characteristics and needs of the church district—the area in which the company would pursue its activities. Accordingly, two fundamental lines of business were chosen: meat production and securing the daily bread, and all the related ancillary activities. These include animal breeding, feed production, animal health, meat processing and sales, the production of food grains, the operation of soil cultivation equipment, agricultural technology, milling, and the bakery industry.

[Szakats] The Kiralyhagomellek Reformed Church District gave its name to starting this enterprise, and Bishop Laszlo Tokes personally took part in the negotiations with the partners. Did his participation influence the partners in joining, and who are the partners?

[Ambruzs] Quite naturally, the partners were aware that the enterprise would befit the world-famous bishop; they were aware of the political and economic significance of this, and they knew and agreed to the fact that they would not get rich primarily on the basis of this new company. At the same time they were also aware that this would not be some charitable activity.

We had to find partners with recognized achievements in the proposed lines of business in Europe, people who had capital, so that they could help this starting enterprise through the initial investment difficulties. Thus we found the three founding partners in Hungary: Agroker Corporation of Debrecen contributed three grain mills of the East Tyrolian type in kind; Babolna Corporation contributed and installed 10,000 broiler chicken fattening stables and five feed-mixing machines; and the Budapest office of Contrade International of Lichtenstein contributed hard currency to the limited-liability corporation in which the Kiralyhagomellek Reformed Church district is the founder and owns a share of the business. The founder from Lichtenstein is a religious aid organization that regards joining the Nagyvarad venture as a model; it is its first attempt to provide aid on an entrepreneurial basis.

The foreign partners examined the feasibility of such an enterprise in the Partium on the scene. Beginning in October 1991, these visits and negotiations became mutual in character, frequently involving the highest levels, the chairmen and presidents, as well as Bishop Laszlo Tokes. The participation of foreigners in Reform Ltd. is not charitable in character, economic rules fully apply to this business enterprise, and basic materials contributed by the partners will be paid for and accounted for.

[Szakats] The company became a legal entity in the summer of 1992; it then started its operations as an independent business. Which lines of activity were you able to pursue, and what are your plans for 1993?

[Ambruzs] With Babolna's involvement we began our Tetra-H program, introducing and selling mixed male-female hybrid poultry raised in household farms. Initially, these were raised in facilities at Bors, near Nagyvarad, to be transferred later to household farms. A broiler stable was also established in Nagyszanto [Santau Mare], a large municipality near the city. The first shipment of broilers for fattening arrived in September, and since then this activity has been pursued continuously. The grain mills have been delivered. There were problems with operating these, because Romanian grains are almost exclusively of fodder quality. Supplemental equipment is needed to grind flour out of such grain, and this equipment is now being manufactured and installed.

In addition, every problem one could expect to run into only in the course of actual operation has emerged, such

as difficulties in shipping goods across the border, scheduling difficulties with the flow of raw materials, and quite a few management problems. But last fall we managed to import 15 truckloads of potatoes to the Bors unit of the company; they came from Hajduszovata.

In 1993 we will start up yet another chicken fattening demonstration plant in Arpad [Arpasel], in the vicinity of Szalonta [Salonta]; we will grow there IKR Rt-type corn on 500 hectares, with the help of one of Babolna's subsidiaries. Our hog and beef cattle raising activities will also begin, and possibly also the breeding of geese.

Meanwhile, in order to expand the activities as much as possible, Reform Ltd., as a founding member, took part in forming a stock corporation whose activities would also benefit the parishioners of the church. Thus the limited-liability corporation joined the Farmacia Santa-Patika Apotheke stock corporation established in Brasso [Brasov], which has a health care provider profile (the sale of pharmaceuticals and therapeutic equipment, the development of a chain of pharmacies, the growing, harvesting and sale of medicinal plants). This Brasso-based stock corporation held a large-scale pharmaceutical and therapeutic equipment exhibit in November 1992. At the exhibit, Erno Rudas, the Hungarian ambassador to Bucharest, welcomed the fact that this was the first time that 16 Hungarian pharmaceutical and therapeutic equipment manufacturers jointly exhibited their products.

[Szakats] Finally, tell us about the headquarters of the limited liability corporation, the building and the workers in it.

[Ambruzs] Our headquarters are in the center of Nagyvarad. The building was purchased by a foreign religious aid organization for the Reformed Church in the Partium, and the building will house social facilities and offices. The development and expansion of the building will be funded by the various ventures, but the building will remain the property of the church. At present the building houses only the offices of Reform, Ltd.

Four people manage the company's operations: the director, a chief accountant, a product specialist, and a secretary, who handles the money. We have a farm foreman who also operates the feed mixer, a female veterinarian, and depending on the number of chicken raised, between four and 10 caretakers. In addition, a full-time machine operator manages the mini-soil cultivation machine stations, and he also handles the internal deliveries within the company.

## Macedonia

### \* Muslim Body Criticizes Turkish Party

93BA0780B Skopje VECER in Macedonian 4 Mar 93 p 6

[Unattributed report: "Religion Is Stronger Than the Native Tongue"]

[Text] *The Republic's Macedonian Muslim community on the situation in Dolna Zupa.*

The presidency of the Republic Community of Cultural-Scientific Manifestations of Muslim Macedonians was stupefied by the decision of the DPT [Democratic Party of Turks]. For that reason, yesterday's community announcement once again informs the Macedonian public that there are no ethnic Turks living in Dolna Zupa, Debar area, and that the village is inhabited by Muslim Macedonians whose native language is Macedonian and whose schooling is in their native Macedonian language.

The sense of Turkish affiliation is based on the Muslim religion, which is being maximally abused for political purposes, and all DPT activities are motivated by political reasons rather than educational issues, therefore disinforming the public.

The DPT impudence, daring, and threats to the Macedonian state have nothing in common with the democratic system and exceed the party's programmatic tasks and objectives, as it considers itself a "partner" of the government and threatens to obstruct the schooling of ethnic Turks who are being taught in their native Turkish language.

That is why we suggest to the legal Macedonian authorities to review the statutes and program of that party and undertake its disbanding. It is obvious that the objective of that party is to destabilize the Republic of Macedonia in the present most difficult social, economic, and ethnic conditions, the communication stresses.

### \* Dynamics of Ethnic Albanian Parties Analyzed

93BA0776A Skopje NOVA MAKEDONIJA in Macedonian 27 Feb 93 p 13

[Interview with Hisen Ramadani by Panta Dzambazoski; place and date not given: "Individuals Thirsting for Power Want 'Ilyrida'"]

[Text] *I think that inasmuch as we were able to achieve an internal economic and political balance, all that is happening in Bosnia-Herzegovina and in parts of Croatia will not occur in our country. Albanians must trust the police, and the solution to this program is proportionality. What is responsible for the events in Djorce Petrov is not the fascizoid nature of the people but extremist political options. As a semiparty and a semimovement, under the new conditions, the PDP [Democratic Prosperity Party] is beginning to distance itself from them.*

*The short biographic story of Hisen Ramadani describes him as someone who entered politics in the 1960's. Until that time he was in education. In 1960 he became a party official in the Socialist Union, the Executive Council, the Macedonian Assembly, and the Assembly of Socialist Federal Republic of Yugoslavia. His last function was that of delegate to the Federal Assembly (until the start of 1992). He then worked for the Assembly of the Republic of Macedonia until the start of 1993, when he retired. Today Ramadani is involved above all in the sociopolitical affairs of the Union of Albanian Intellectuals and is a consultant of the Albanian Democratic Union-Liberal Party. Occasionally, he also advises other political personalities and PDP and NDP [National Democratic Party] members of parliament. According to him, a feeling of responsibility leads him occasionally to meet with the president of the Republic.*

[Dzambazoski] As someone with long political experience, how would you assess the development of the young Macedonian democracy and politics today?

[Ramadani] We live in changing and crucial times of transformation of the system from monistic to pluralistic, and in a period of developing a long-term process that we have initiated, based on self-determination and the creation of the type of community acceptable to all citizens. I believe that it is precisely now that actually Macedonia is creating its own state and national policy. So far, all of our steps were addenda to global and regional political options. We can freely say that during and after World War II, Macedonian policy was an appendix to the political options of Serbia's national policy. The exception was a period from 1966 to 1972, when, to a certain extent, for the first time a separate Macedonian policy made its appearance.

## Internal Balance

[Dzambazoski] Are we following the true path, having learned from the practice of coexistence and thus avoiding dangers and traps?

[Ramadani] To begin with, due to the lack of seriousness and the feeling of discontent that are causing our internal political vibrations, we do not dare let happen whatever is happening in the remnants of former Yugoslavia. Our ideology, for which I bear a responsibility I do not intend to avoid, caused by my naive self-confidence in aspiring to political power, prevented internal democratic and pluralistic thrusts to be noticed on time in order to release the political energy of each ethnic, religious, or social group in order to prevent what happened. It is all the same whether one side or another started something, or whether the sources of events may be traced to Serbian traditional historically lengthy expansionistic policy that, to this day, is displaying genocidal tendencies now turned into an actual ethnic centrism that, in other words, is the equivalent of fascism.

Therefore, we must take into consideration our internal condition, the eventual and as yet not fully expressed

internal opposition to certain structures, both Macedonian and non-Macedonian. Inasmuch as we were able to achieve an internal balance, both economic and political, in which there will always be a place for compromise and in which everyone will think that he has received the share of the pie he deserves, as Churchill said, I believe that whatever is happening in Bosnia-Herzegovina and parts of Croatia will not happen to us.

[Dzambazoski] As part of ex-Yugoslavia, we had been led to believe that the coexistence of many ethnic groups and religious faiths means great wealth, progress....

[Ramadani] Depends on how they are used, for in Macedonia as well this kind of mosaic exists. We have acquired an specific atmosphere and prevalent feelings among the various population structures. In such a case, such a mosaic is wealth. Cultures can come closer to each other through their use. We need a republic with equally educated people and a republic with multicultural institutions. For example, why is it that today we do not have joint exhibits of noted painters? Why do we not have a joint publishing house (other than Prosvetno Delo, which publishes textbooks)? Therefore, we must adopt a new approach in the development of interethnic relations, manifested, above all, as relations among people. That is our change to develop a joint feeling of harmony, tolerance, and understanding.

Therefore, we have in Macedonia people who are in favor of a multiethnic community and people who oppose it and are even allergic to such a community. The multicultural existence of Macedonia is its permanent feature, as given by God. We must develop it in the interests of all citizens, for we have no other solution. What would happen to Macedonia should war break out? Macedonia would become a difficult Balkan and European problem, for here the interests of a number of nations will clash. This creates our responsibility in maintaining peace and stability in the Republic, in the Balkans, and even beyond them.

[Dzambazoski] Could we discuss the events of Bit Pazar and Djorce Petrov?

[Ramadani] Let us do so. Although I think that the threats to Macedonia are greater coming from the outside, I do not underestimate the internal ones. To begin with, Bit Pazar was a reflection of the lack of preparedness and of the irresponsibility of the individual Albanian political parties and of the lack of preparedness and inability to act on the part of some MVR [Ministry of Internal Affairs] authorities. In my view, it was a question of mistrust of the police by the Albanians who always try to find some negative implications in any step taken by the police. In order for the Albanians to consider the police as their own state authority, the solution lies in developing a proportional structure. This is a full-blown process but one that must begin with the training of personnel and, as of now, by having ethnically mixed patrols in sensitive areas.

[Dzambazoski] The police applied the same methods against the Macedonians in Djorce Petrov. Let us comment on that situation.

[Ramadani] That was a very serious situation that, personally, concerned me a great deal. Nationalism must not be negative. However, if it is aimed at implementing its own national interests at the expense of others or against others, it becomes ethnic centism. The Balkans are loaded with extreme nationalism, for which reason we must follow the reasons and not merely deal with the consequences. Djorce Petrov is a specific urban environment with a mixed ethnic population, with the individual prejudices and negative potentials which are manifested also when we become concerned with the temporary care of refugees from Bosnia-Herzegovina whose situation is very difficult. This is above all a reflection of some sort of unrealistic fear of Muslims in general. However, I do not accuse the people. The people will always expect specific political and state leadership. Therefore, the responsibility does not lie with the fascioid nature of the people but with some extreme political entities that, profiting from the gullibility of the people, are pushing for the assumption of power by all possible means.

However, the government as well is to be blamed. It did not come out with its platform in advance. It should have announced at the right time that it was a question of a temporary project, of temporary shelter, of a place which would soon afterwards be used by our students. The government must give up the idea that its power is inviolable. Whenever it makes a decision it must develop the proper atmosphere and provide explanations.

#### Cooperation and Joint Action

[Dzambazoski] Essentially, did not the same thing happen at Popova Sapka, when the local Albanian population rebelled against the intention of building a monastery in the area, and its defense was assumed by the PDP?

[Ramadani] Yes, this is true. The most important thing in politics is to have a sense of measure and of timing. It would be logical to build a monastery first in Mavrovo, for the simple reason that, as a bigger tourist center it also has a bigger number of worshipers. However, since we are already building a monastery in Popova Sapka, had I been a church official I would have contacted the leadership of the Islamic religious community and built two separate projects. Look at our cities, and at almost all cities from Tirana to Istanbul. The oldest mosques and churches are in the immediate vicinity of each other. The purpose was to prove that one could coexist. Albanians should not look at this as an anti-Albanian act. However, nor is it necessary to build and make use of religious objects that create misunderstanding among religious faiths. I could say that I am in favor of religious rights but I would prefer the building of more schools.

[Dzambazoski] It looks as though a process of political division among Albanians is taking place. This is

apparent in parliament: There are some PDP representatives with broader democratic views and other PDP representatives who are "hard-liners"; a third Albanian party, the Albanian Democratic Union-Liberal Party has also been formed.

[Ramadani] A political explosion occurred in all parties with the breakdown of the single (communist) party. Initially, to the Albanians the PDP was more than anything else a classical ethnic movement of Albanians rather than a party. It was normal for it to rally virtually all Albanians and for all Albanians to vote for it. However, with the development of political awareness, in addition to the NDP the ADS-LP [Albanian Democratic Union-Liberal Party] was born. As a semiparty and semimovement, although still dominant, under the new conditions the PDP is now being surpassed in political actions by some segments. A phase has been reached in which interests, including ethnic ones, and judging by the trends in Europe, will be expressed through civic interests. In my view, the ADS-LP comes the closest to this concept.

[Dzambazoski] However the ADS-LP has also retained the national element in its name.

[Ramadani] The name of that party has a double meaning. In the first part it describes the people it consists of, considering the conditions and environment in which we find ourselves; the second part indicates the nature of the party. This means that it reflects its civic character. Naturally, as time goes on, there will be changes in the name, according to the democratic processes. Probably, in the future it will be a party of members of several ethnic groups. Before this could happen however, I believe that it would be logical for the first phase to consist of cooperation and joint action by parties which rally members of different ethnic groups and participate in different coalitions.

Today we need timely meetings among representatives of all parties, in order openly to discuss all issues.

[Dzambazoski] What does Ilyrida mean to you? Is it a question of politics or rating?

[Ramadani] I do not accept this idea, for there is no need to partition Macedonia into territories. This is the demand of individuals who are eager for power even if it amounts to running no more than one small township. How could one isolate the citizens of Skopje from other environments which, based on international customs, would be unable to become part of a territorially autonomous area. I am in favor of Albanian autonomy in terms of full equality, as civil subjects, with a national identity, and with a proportional representation within all representative and state authorities.

[Dzambazoski] Is it in the interests of the Albanians in Macedonia to have Macedonian internationally recognized, remembering some statements by PDP and NDP members and party communications that set conditions for recognition?

[Ramadani] It is in the interests of the Albanians for Macedonia to be recognized as an international entity, for should this fail to happen it is most likely that Macedonia will be forced to become part of a "Serbian federation" or will be partitioned. In any case, this would harm both the current and long-term interests of the Albanians and, naturally, also those of Macedonia. I am convinced that Macedonians, Albanians, and others can develop into a good community of citizens. Any dragging on of exclusive ethnic feelings could only encourage internal negative energies. In Macedonia we must develop the type of atmosphere in which there will be more supporters of Albania among the Macedonians and of Macedonia by Albanians.

In my view, we should already be aware that a certain number of Macedonian and Albanian intellectuals have become involved through joint scientific and journalistic works in promoting understanding and balance in Macedonia, particularly between Macedonians and Albanians as the dominant populations. Such an initiated effort is an indication that we can jointly strengthen the foundations of our joint future.

#### \* Dissension, Leadership Change in MAAK

93BA0780A *Skopje NOVA MAKEDONIJA in Macedonian* 27 Feb 93 p 16

[Unattributed report: "Judas in MAAK"]

[Text] Dragi Ivanovski, former policeman and former journalist, is also the former secretary of and spokesman for MAAK [Movement for All-Macedonian Action]. The reason for his leaving the Movement is his opposition to MAAK party programmatic stipulations; the immediate reason is the specific attitude he has lately displayed. Among others, he paid an unauthorized visit to and was in contact with the current minister of internal affairs (blood is thicker than water!), issuing arbitrary statements and ascribing meanings to communications and statements that are not in the best interests of MAAK and the state, and false information provided to the Canadian (and other foreign) public on conditions in the Republic of Macedonia, along with his own tendentious views about another party. We are now waiting to see which party is closer to his heart and to his professional biography.

Formerly, Ivanovski was a member of the Foreign Information State Security Service of the RSVR [Republic Secretariat of Internal Affairs], which was run by communist officials; later, he was sent for further training abroad. He then became a newsman for Skopje television, from where he took a sensational flight to the Near East without the knowledge or approval of his employers, for which reason he had to resign. From there he landed in MAAK where (after a while) he was expelled for treason.

Does this mean that MAAK is beginning to distance itself from people supporting programs alien to it and building a new (or restoring its old) image?

**\* Parties on Prospects for Early Elections**

93BA0775A Skopje VECER in Macedonian 6-7 Mar 93  
pp 4-5

[Article by Branko Geroski: "The Choice: Yes-No!"]

[Text] *According to the theory of effects, an authority must either achieve results within an acceptable period or leave;*

*Views of leading parliamentary parties on the idea of ahead-of-time electoral tests of strength?*

It would be difficult to find today a politician who cares for his reputation and image who would tell you that new ahead-of-time parliamentary and presidential elections are not being considered. No one, absolutely no one is shunning the idea for political parties to test their strength ahead of time. It would be strange had it been otherwise, the parliament being in a state of constant crisis, when we are essentially failing in all areas, and when it is entirely clear that we have neither the strength nor the ability to take a radical step in a positive direction.

**A Packet in the Drawer?**

According to Ilija Todorovski, from the Institute for Psychological and Political-Legal Research in Skopje, the need for new elections is now substantially greater for, according to experts in various fields, the current political establishment, the assembly, and the government were unable to achieve a radical change in a situation assessed as critical. According to the theory of effects, a given authority would either provide significant results within a period deemed adequate (one could argue as to its length) or leave the stage. The current government in Macedonia has a certain excuse (the war in former Yugoslavia) due to the loss of substantial markets, as well as the nonrecognition. However, this is also an excellent excuse for the lack of ideas and concepts. It is thus that a partial truth is elevated to the rank of total truth. What is not being mentioned is that share of the circumstances that depend on ourselves.

If such is indeed the case, and if everyone agrees with the diagnosis, then the question truly remains open: Why is it that everyone is rating his chances in holding ahead-of-time elections as virtually null? The VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity], for example, a party that, until recently, urgently insisted on passing a packet of electoral laws (on the election of representatives and a president of the Republic, on financing political parties, and on electoral districts) believes that the situation obviously does not require elections and that the prime minister is adequately running the government.

"The VMRO-DPMNE Central Committee," explained Dosta Dimovska, the second most important person in the party, "was the first to submit the packet of laws, which included the law on local self-government. After

that, our group of representatives submitted a motion for holding ahead-of-time elections. We cannot speak of fully democratic elections before a new legal regulation has been passed consistent with the new Constitution that would include changes in the electoral commissions."

The question remains as to why the opposition itself not "dare" to submit the necessary packet of laws. The VMRO-DPMNE believes that if the opposition were to suggest such a thing (it is allegedly working on drafts) it would be rejected. Hence the "tactic" is to wait and see what its position will be. However, no one is in a hurry to do so. Thus, according to the work program, the government is planning new draft laws to be passed before the annual recess and, after a public debate, to be passed sometime before the new year. Thus, left to the VMRO-DPMNE are three possibilities: first, to promote the initiative, the idea of "testing" the situation (in all likelihood, this entire confusion will end with the old concept of pass the regulations first and only then have the elections); second, to come out with its own packet of laws and risk criticism; and third, to turn to the popular masses (Dimovska made the noteworthy statement according to which "we shall keep insisting on this in parliament; however, I can tell you that dissatisfaction and the pressure applied by the citizens asking for new elections are increasingly steadily").

**Where Does the Rumor Originate?**

Be that as it may, the key to resolving the electoral confusion is in the hands of the opposition. Erol Hajretin, from the SDSM [Social Democratic Alliance of Macedonia], says:

"Generally speaking, our party does not oppose the idea of ahead-of-time elections. Ten months ago, in parliament, we officially called for new elections. What happened? At that time, the parties that are now speaking of elections lacked the strength publicly to accept our initiative. As to the present situation, there has been no official demand of holding ahead-of-time elections. The VMRO-DPMNE is only asking for a faster passing of a packet of electoral laws. We shall constructively cooperate in passing such laws, but if anyone is in a hurry let him propose them himself. As to the official initiative, the Central Committee, which is our party's highest authority, will make its views clear. Personally, I believe that this is a question of political marketing and of deliberately starting the rumor that there are those who are against while others are in favor of ahead-of-time elections."

Currently, however, the position of the SDSM is quite different from what it was 10 months ago. It controls the Presidency and the prime minister. This, considering the abnormal situation, is not easy to abandon. The point is how to use this advantage in scheduling elections for the best possible time. If the social democrats are satisfied with their own actions and are confident that they will be able to share their dissatisfaction with the voters, then

they will not be waiting for the opposition to demand (albeit as a marketing act) elections but will demand elections themselves. Meanwhile, now all that Macedonia will have to experience in the course of the new electoral campaign, at the time of the resolution (whether successful or unsuccessful), will be justifiably considered an SDSM "mirage." The way things are now, and they are bad, the tactic is to drag the debate on the new laws almost up to the time for the regular new elections. This will meet with the strong support of the opposition. That is how time is gained and, apparently, what the reformist liberals need is precisely time.

#### There Are Arguments and "Arguments"

"Our view is that Macedonia needs new elections but not at all costs," Ace Kocevski, interim RSM-LP [Reformist Forces of Macedonia-Liberal Party] secretary. "We need serious and fundamental preparations. The elections must not become a political marketing job, and particularly not based on a provisional assessment of the rating of the political parties in a specific situation. Six months ago, we were considering whether to demand new elections. However, looking at the situation in Macedonia (the problems of international recognition, the incompleteness of the political and economic system, and so on), as well as the lack of new legal regulations on the elections, the idea prevailed of participating in a government of parliamentary majority. However, in our governmental platform we said that it was necessary to intensify the work of the government and of the pertinent ministries concerning that set of laws."

Although the RSM-LP secretary does not say it, it is not difficult to assume that today as well the same arguments will be brought forth. The problem of the reformist liberals is that they must formulate such views not on the basis of the old electoral results but on the basis of the expectations of the results they will achieve (or fail to achieve) in the new elections. They failed the test in the three electoral districts. Hence, it is most likely that they will continue to favor a balance within the government, particularly now, after they acquired an important ministry—the Ministry of Foreign Affairs—unexpectedly. This as well is helping them to gain time.

The PDP [Democratic Prosperity Party] seems to be the only one not to have such concerns. However, this is not entirely true, for the PDP knows that an effort will be made now to have a new "parceling" of townships in western Macedonia resulting in the establishment of new "Macedonian" electoral districts, and no assurance that any radical change in the correlation of forces in parliament would enable that party to participate in the government.

"As early as last year, the PDP said that it had nothing against ahead-of-time elections, providing that the new laws on this matter, especially the law on electoral units, are passed first. Today as well the PDP holds the same position, with the sole difference that one year ago the situation was more acceptable than it is today, bearing in

mind the mandate that would be issued to the new assembly. Personally, I believe, bearing in mind the mandate and the current economic and political situation in and around Macedonia, that we could expect nothing special from a new assembly. The new representatives would have to be miracle makers to be able to take a qualitative and quantitative step forward," says Mithad Emini, PDP secretary.

#### Risks and Divisions

Emini is only partially right in terms of the effectiveness of new elections. Here is how Todorovski explains this:

"The new elections are indeed an unpleasant thing for society: They are costly, they create disturbances, and so on. However, although I do not expect any kind of substantial change in the correlation of forces, some changes will occur. An impetus will be given to the internal restructuring of the parties and new parties will appear. All of this, sooner or later, will lead to quality improvement. No immediate results should be expected. The question is one of assessing the extent to which such upheavals (elections) are necessary in order for the quality to show up and for a trend to appear indicating any change in the negative inertia."

Furthermore, it must be pointed out that any assessment of the risk should not be based on the party aspect alone. Simply put, one should also consider when it would be the best time for the citizens to hold new elections. Let us begin by having the United Nations untangle our current diplomatic position. Let us also assume a state of increased social rebellion. Naturally, let us also anticipate a situation of more dramatic developments in interethnic relations. Everyone agrees that such situations would lead to an internal division within Macedonia. Should elections be held at such a point? Actually, the division is already here. The opposition is speaking of neocommunists. The people in government are speaking of national bolsheviks. Everyone is hinting at Serbomania, Bulgarianism and, until recently, Greco-philosophy. The question is whether all of this could be considered merely part of our political folklore. Politics is already dividing the ordinary people. Interparty views in the electoral campaign may seem entertaining because of their "innocent" safety. Will this be the situation again?

The real threat exists that instead of settling accounts among party leaders, such postponed ahead-of-time or timely or else (God forbid) delayed elections would result in settling accounts among sympathizers and party members, and ordinary people who will find in them a safety valve for relieving their accumulated frustrations. That is why the following question must be raised: Would it not be preferable to have ahead-of-time elections than elections at unsuitable times? Today, for instance, we find unreal or perhaps even ridiculous statements according to which in thus and such a country, in thus and such a city, in the course of the electoral campaign supporters and opponents of various

parties clashed and a number of people died. Let us hope that this famous statement by Mitko Atanasovski, the popular philosopher and prophet may not come true: You may laugh now but you will be crying later!

It is true that (so far) we have not reached the point of crying, but the time has come to start truly thinking about such things.

#### \* Reasons for Stalemate in Legislature

93BA0781A Skopje NOVA MAKEDONIJA in Macedonian 6 Mar 93 p 13

[Article by Zorica Darkovska: "Assembly Market(ing)"]

[Text] *The ruling parties and the opposition in the Macedonian parliament agree that plunging into arguments and dealing with situations instead of passing laws, which is the constitutional function of the Assembly, is a deliberate tactic and strategy. Opinions vary as to who is doing this and why.*

The issue of the Macedonian Assembly's implementation of its constitutional function that was raised most spontaneously and without any hidden intentions, revealed the entire politicization, clashes, and, one could say, impatience inherent in relations among parliamentary groups. Naturally, this applies to the situation developed between the ruling and opposition parties. Such was once again the case when we asked a large number of representatives from different parliamentary groups about the extent to which it was justified for the parliament to be plunged into sterile quarrels on a great variety of situations and views about which no conclusions whatsoever are reached, while no opportunity remains to deal with the laws which the Assembly alone must properly debate, according to the Constitution.

#### Who Is the Tactician?

The assessment was unanimous that the quarrels within the Assembly and the lack of adopting legal acts needed for completing the system of our state is a deliberate tactic and strategy. However, who is its author and what is its purpose? This depends on who is answering, whether the ruling majority coalition, or the opposition that raises questions leading to quarrels, or else people who stand somewhere in-between. Such people do exist!

The opposition considers its own behavior normal and understandable, for any opposition concentrates on criticizing the authorities. By engaging in parliamentary disputes on the various situations that develop in the state, it considers that it is thus that it fulfills the wish of the citizens to be their spokesmen. At the same time, it acknowledges that parliamentary debates provide an opportunity for making use of the vacuum created by the fact that Macedonia does not have a public opposition press that could tell the people the "truth." The opposition adds to this that it is not to be blamed in the least for delays in passing a number of laws. Those to be blamed the most are the government and also the Assembly's

leadership, for it also is the leadership of the government and it allows sterile waste of time in the parliament. Therefore, the coalition in power is wrong by going along with the initiatives of the opposition; the representatives of the VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity] claim that all of their motions to discuss the agrarian situation, foreign currency savings, foreign policy, and health would be welcome topics for the government that would thus enable it to cover its own inefficiency in drafting the laws. They also claim that a tremendous number of items are being deliberately included in the agenda in order to block the work of the parliament. In the latest and unfinished 56th Assembly, 88 such items remained. The fact that the chairman of the Assembly explains such a long agenda in terms of saving time in its approval is a different matter. That is what the chairman claims.

Some representatives are between the two extremes, claiming that according to the government everything is "urgent." They point out that indecisiveness and laxity displayed by this highest legislative body makes it inefficient, and that the impression develops among the public that everything is to be blamed on the parliament, against which a real hunt has been organized.

#### They Speak of Conditions but Think of Elections

Now the other extreme. The representatives of parties that are now in power oppose the existing practice of the Macedonian Assembly to debate absolutely everything, least of all the laws. The legislative functions stipulated in the Constitution is being suppressed, and the only way to qualify matters is to describe them as the marketing of the opposition. Therefore, this is a deliberate tactic and strategy of that other part of parliament, the purpose of which is to undermine the work of the government. There would be no objection if discussions of specific situations are justifiably debated by the Assembly if that some cases were the result of the violation of laws, the need for amending legal acts, and so on, which would be the only proper way of acting. Anything else, which is what essentially takes place in parliament, is a case of planned marketing, the purpose of which is to benefit from the misfortunes of the citizens; it is the same old "preparation of the ground" for the next elections. The ruling parties do not accept that the parliament is a place where discussions and arguments must take place concerning various situations. The proper place where such issues must be dealt with, they feel, are the pertinent authorities, acting in a regular and normal way, and resolving such problems. If such situations require that some laws be amended, it is at that point that the Assembly should take over. Such is the opposition of the representatives of the ruling coalition. For the sake of objectivity, we should point out to them that they are not entirely innocent of all the games and shenanigans that take place in that legislative body. If nothing else, the items on the agenda alone, which would provide information on various affairs in Macedonia, would not be passed if defeated by the majority of representatives.

## YUGOSLAVIA

This means that they too are involved in all such issues. The votes cast by the majority representatives would in no case make it possible to have the required majority. This also means that there are times when the ruling parties find it suitable or, to put it differently, when they believe that an issue (something which is not a law) is worth discussing.

The shots being fired in parliament from either side are endless and should not surprise us. The trouble is that all too often they are the reason for blocking or obstructing the work of the parliament and for failure to pass the type of laws which are needed by the state and which should complete the structuring of our state system, as well as laws which must lay the foundations of the economic stability which affects the decent life of the citizens. Tactical and strategic steps must be taken in the pursuit of such objectives and not for the sake of hints and making things impossible, something which subsequently damages the representatives themselves.

[Box, p 13]

### What Questions Are Being Submitted?

In the past few weeks alone written requests have been submitted by individual representatives and groups of representatives to include the following items in the agenda: steps to be taken to pay interest on the foreign currency savings of the citizens, the functioning of the customs service, the material situation of laid-off workers, the safety situation in Macedonia, the basis on which United Nations forces may be requested, the situation in Debarska Zupa, the unsanctioned school classes and schools providing instruction in the Albanian language, the "vandal" demonstrations of the Albanian mafia of 6 November last, problems of construction, founding an institute for research and development of Albanian national culture in Macedonia, the report of the former expert group at the International Conference of Former Yugoslavia, founding a center for strategic research and development, registration plates of motor vehicles, marketing already purchased amounts of private farming produce, the monetary policy in the agrarian sector, and so forth.

### \* Relations Between Region's Churches Examined

93BA0779A Skopje NOVA MAKEDONIJA in  
Macedonian 27 Feb 93 p 6

[Report by M. Spiroski: "Once Again Behind Macedonia's Back"]

[Text] Bulgarian-Serbian church discussions held in Sofia.

The visit that a delegation of the Serbian Orthodox Church paid to the Bulgarian Patriarchy in Sofia would not have concerned the Macedonian public had it taken place within the framework of normal canonical and civilized rules and had the discussions remained within the limits of relations between the two churches without

interfering in the internal affairs of a third church. However, according to the statement made by Bishop Neofit, chief secretary of the Bulgarian Orthodox Church, "the Macedonian church was discussed as well" in the course of the talks between Bulgarian and Serbian high clergy.

The logical question is whether they have the right or, in clerical terms, the blessings of the archbishop, who heads the Autocephalic Macedonian Orthodox Church, to do so. The answer is negative. Therefore, by what right and according to what canons have the high Bulgarian and Serbian church circles been discussing the MPC [Macedonian Orthodox Church]?

As we know, the SPC [Serbian Orthodox Church] has started an open offensive aimed at the liquidation of the Macedonian nation instead of pursuing its orthodox mission of promoting love between the Serbian and Macedonian peoples. On the contrary, with his efforts to eliminate the legitimate autocephalic nature of the MPC at all cost, the archbishop of the SPC has actually extracted his crusader's hatchet and is thus setting the Serbian against the Macedonian people and involving in such Balkan Greeks and Bulgarians. Frankly, the Serbian offers were made with the blessings of the Patriarchy in Constantinople and of the Greek Archbishopric in staging such a fatal anti-Christian scenario in the course of the recent visit which Pavle Patriarch of Serbia paid to Istanbul and Athens. Immediately after that, this highest Serbian church leader unilaterally crushed the successful start and development of the discussions between the official delegations of the MPC and SPC which, for a brief moment, had given some hope to the restoration of evangelical love between the two churches. However, the price demanded by the Serbs was too high: the loss of the autocephalic nature of the MPC and its return under SPC jurisdiction. Missing in order to complete the dangerous anti-Macedonian Athens-Belgrade-Sofia axis were the official games played behind Macedonia's back by the Bulgarian Patriarchy. It was in that light that the latest discussions between Serbs and Bulgarians took place in the Bulgarian capital. And although it was official Sofia which was the first to recognize Macedonia as a sovereign and independent state, and which did not allow any discussions about Macedonia to be held in Athens without being equally represented, by what right did the BPC [Bulgarian Orthodox Church] permit itself to discuss with the SPC the Macedonian church without the latter being represented?

Within such a constellation, the promotion of orthodox unity by the SPC, BPC, and GPC [Greek Orthodox Church] becomes a hypocritical and totally dishonest game; on the other hand, on the basis of purely chauvinistic positions, attempts are being made to harm one of the oldest Christian churches—the Macedonian. In the past destiny made a mockery of it precisely because of its dishonest neighbors. However, one must realize, once and for all, that mutual respect and understanding within the orthodox world is a significant factor in preserving the peace in the Balkans.

**\* Discontent in Public Sector Examined**  
*93BA0729A Skopje PULS in Macedonian 4 Mar 93 p 16*

[Article by R.P.: "To the Very Last Privilege"]

[Text] *A proper look at strikes would reveal that the front line in the struggle is in the public sector, that same sector that was run by the state and in which the state retains substantial interests.*

If we were to analyze last year's developments, other than the constant concern related to the international recognition of the Republic and the political changes occurring in the young democracy, we would have seen that this was a year of strikes: During the autumn and winter alone there were 150 cases of work stoppages. Eastern Europe was either freezing cold or being shocked by social disorder ("the Polish syndrome") or else was dancing the bloody dance of the civil war (we thought that this was strictly a case of Ceausescu's fall!). Whatever the case, such activities did not prevent a rise in the internal temperature.

Last year there were interruptions in the health-care system and then in some large communal enterprises; now, in addition to the old "rebels," the locomotive engineers, there are relatively new ones: the personnel of the Bitola REK [Republic Electric Power Combine], which is the energy heart of the Republic and which, should it stop beating, would put an end to all economic activities and throw life back to the Stone Age.

Even a brief study of the epicenter of such discontent would easily reveal that both last and this year, with the exception of the tempests in the textile and building industries, it was essentially the public sector that went on strike! Last year the main action was that of the education workers; this January, it was the physicians; now we have the "tail end": the electric power collective that, officially at least, should remain under state control.

Should this surprise us, for throughout the world the public sector goes on strike much less frequently, unlike areas related to the classical market relations? It is true that practical experience indicates the opposite as well: The teachers' strike in Sweden brought down the socialist government, for the salaries which they obtained disrupted the balance of payments and, respectively, the anti-inflation program. The Macedonian case, however, is something special, deserving extensive and unbiased studies. Since currently we look at things essentially in terms of black and white, what comes out is that strikes are directed and aimed against the authorities and have a political lining or else express the inability of the authorities to control the production areas in which it is "rooted."

It is a fact, however, that the public sector in our country—administration, power industry, communal

services, education, and health care—is in its "postoperative period" phase. After the lifting of state controls, these areas totally rejected the shock treatment, an area in which other reproduction segments have long become accustomed! In practical terms, all such areas are now trying, without any change whatsoever, to preserve the old relations, both internal and external. Yet it is entirely clear that their structure and habits cannot be consistent with a country that, in addition to being internationally isolated, cannot dare to assume any new international commitments or experience higher stresses, as some kind of "reshuffling the deck," when it becomes a question of a game in which the pie of the national wealth is the stake.

Therefore, it is nothing new for the electric power utility to pass along the buck before analyzing its own possibilities. Thus, the ore miners in Suvodol, with their truly miserable salaries of November and December of 85,000 denars, were to be presented as proof of the "general difficulty of the system" and kept at the bottom, for some reason. Actually, they should have demanded a higher price for the electric power and have the state commit itself to higher output (there was mention of specific figures of emergency supplies from the outside) and demand that other steps as well be taken that would improve the situation under which the leadership of the power workers function. As is always the case, however, no one asked where the high wages would come from and what were the differences between an electric power engineer working inside a mine and his colleague who simply pushes switches.... The system of justification that in the past had always yielded high results is invalid today: The state knows that it cannot make any reform merely by setting higher prices or including the new demands in the leaner budget. Actually, this is not a matter for the power industry alone but also for the health, education, and the other "customers" who could start knocking at its door at any moment and voicing the same arguments.

With such a development of the situation, it is no wonder that the leadership of the Bitola REK collapsed, for it consisted of people who were victims of their own logic and rhetoric! We must not forget what they say to those who visit the combine. However, the leaders who promise easy victories are usually the first hostages of the disappointed soldiers. The conviction that the inflated proletarian elitism (working in -30 degrees), which could be effective only on the surface, has now turned into hatred of anyone who does not handle a shovel has, therefore, become internal and indiscriminate.

The general lack of preparedness for drafting new plans within each of the state-related branches (let us recall, for instance, the case of improving health care efficiency, postponed for decades) has opened an entirely new front: separating the state from the people employed in such activities and, in the second place, taking steps to determine the forces and intentions of the government and the trade unions. All this could be considered a matter that has statutory limits, although this would not make

## YUGOSLAVIA

improving the basic problem any easier. This is illustrated by the latest news: The post office workers have indicated to the state that it has long forgotten to compute increases in volume of work and that if it would like to include telephone communications it would have to loosen its purse strings.... What will follow in this scenario that anyone can see but no one wishes to change?

### \* 'Indifference,' Problems With Lamb Exports

93BA0782A Skopje NOVA MAKEDONIJA in  
Macedonian 6 Mar 93 p 15

[Report by Borjana Dicevska: "Problems With the Export of Lamb From Macedonia; The Other Side of the Scale"]

[Text] *We are always blaming others for our failure to export lamb rather than looking at our own weaknesses and errors, which should be the main starting point in making proper decisions and taking steps.*

The Macedonian Chamber of Commerce received a letter from Brussels in which the European Community clearly states that Macedonia was issued a license to export no more than 450 metric tons of lamb. This is a heavy blow to domestic producers and exporters of lamb, particularly during this spring season peak, for which a much higher volume of exports was planned. However, this was to be expected from the European Community, precisely for which reason we should have been prepared, all the more so since the approved volume of exports for this year totals 1,750 tons of lamb and about 100 tons of live lambs. The European Community had approved exports evenly divided into four export quarters.

### Our Own Mistakes

It was precisely such export dynamics that should have signaled the need to make specific decisions. Instead, the only reaction was to ask for changes in the export dynamics, for otherwise the approved annual export quantity could not be fully met. And while we were waiting for some "relaxation" on the part of the European Community, we also received the statement of the Livestock Foundation of the Macedonian Chamber of Commerce that it was possible to combine the export volumes for the first two quarters that could be sold prior to the Easter holidays, followed by a real race to obtain export permits. So far, permits have been issued for the export of 1,054 tons of lamb. This is a Macedonian behavior that has repeatedly been displayed without anyone learning anything from previous experience. If it is true that repetition is the mother of knowledge, we are proving to be very poor students. That is why it has become a regular occurrence, every year, to note weaknesses and omissions in lamb exports, for which, invariably, someone else is blamed.

Such was the case with the December amount that was to be shipped before the Christmas holidays. However, not

even one-third of the approved amount of 666 tons of lamb was exported. Speaking of export permits and assigned quotas, Mirko Lekovski, director of Stokopromet, said that we should not be in too much of a hurry and literally "fight" for obtaining such permits. However, it was precisely this warning by Mirko Lekovski, and the attitude of Stokopromet, that provide a typical example of a monopolistic attitude in the export of lamb by the Republic. It is true that it was subsequently established that the amount approved for December could not have been met because of the small number of lambs born in winter, some 20,000 of them. At that point the nature of the accusations changed, allegedly relative to the approval of a greater amount exceeding our abilities to begin our exports for the new season.

The many accusations of lack of knowledge about the approved amount of lamb sales for this year are once again focused on the fact that our export possibilities are being restricted, above all during the spring peak season. This, however, as was emphasized at the recent session of the Sheep Breeding Group of the Macedonian Chamber of Commerce, is once again illustrated by the extremely unsatisfactory export dynamics for the four quarters. All the more so since the opportunity for achieving higher exports of lamb from the Republic is presented mainly during the spring peak export season. Yet it is precisely during this peak season that the quota is limited to no more than 450 tons of lamb. What is even worse is that during that period the lamb is sold exclusively on the Italian and Greek markets, which increases even further the uncertainty in reaching the annual quotas, given the present closing of the Greek market.

### Directed Output

No one is to be blamed for this situation. The accusations are groundless, for the errors are caused exclusively by ourselves, above all as a result of our indifference toward finding new markets, and focusing our production exclusively on the spring export peak, said Aleksandar Naletovski, who until recently was the director of the Republic Veterinary Administration of the Ministry of Agriculture, Forestry, and Water Resources. The European Community knows precisely what our possibilities are, what is our output, and what are the prospects for eventually marketing bigger amounts. Its market has precise knowledge of the type of lamb that customers demand, for the market has been watched for years, as has been production by virtually all lamb exporting and importing countries. The biggest problem is our unplanned production, particularly if we bear in mind that the highest production of lamb in our country is aimed at the spring marketing. However much we may wish to have a good arrangement, this is difficult to achieve due to the impossibility of selling the total output with a so-called "export burst." Hence the defeatist attitude with which we interpret any restrictions.

Therefore, however difficult it may seem, naturally we should start with the repeatedly emphasized step of organizing a controlled and planned sheep breeding output. The necessary conditions and opportunities to this effect exist, as indicated by the efforts made by Stokopromet and the Skopje Veterinary Sciences Institute, particularly through the increased use of already proven scientific methods. "To this effect," as stressed Kiro Dokuzovski, from Stokopromet, "our enterprise, as the largest exporter of lamb, was able to ensure lambing by importing stimulating hormones. It invested \$50,000 in such hormones, and the experiments with 12,000 sheep in twelve Republic farms yielded substantial results. Such activities must be expanded further and include other livestock breeding farms. Furthermore, controlled production should also be organized by ensuring the proper fattening of the lambs. This would enable us to achieve the necessary quality and weight requested on the foreign market. More specifically, through proper feeding, the required weight of the lambs should be reached in 80 days for the Italian market, and 100 days for the Greek market."

Something even more important is that such methods will make it possible to have lamb meat and live lambs on a year-round basis. This would influence exports, replacing that which has been happening so far in the Republic: exporting exclusively during the so-called export peak seasons prior to the Christmas and Easter holidays.

According to Jordan Sukarovski, professor of livestock nutrition, it is of even greater importance that an increased possibility will appear to develop new markets and not, as has been the case so far, exports to be directed exclusively to the Italian and Greek markets. Such activities must mandatorily include the privately-owned herds, thus providing a good potential for such a controlled production process. This is necessary also because it leads to major savings that could reach 40,000 denars per lamb, which is not a small sum, bearing in mind that with proper nutrition the production of milk available after the weaning of the lambs will increase.

Actually, all efforts must be concentrated on making sheep breeding one of the most profitable areas of the livestock-breeding complex. More specifically, there should be at least one lamb per sheep and 15 kg of cheese, so that exports that have totaled so far, in round figures, \$17 million, may reach \$34 million.

Briefly, we must establish the type of production organization and marketing of lamb similar to that used in the growing and export of tobacco, all the more so since tobacco and lamb should be Macedonia's main export items. Suitable conditions to this effect exist, for we know that Macedonia could export no less than 1 million lambs annually. What matters most is that we would not be bound by any kind of prices, restrictions, and so on, which are now being voiced everywhere as a refrain to the lack of certainty about the overall possibility of exporting the allocated amounts.

#### \* Economics of Macedonian Tobacco Industry

93BA0778A Skopje NOVA MAKEDONIJA in  
Macedonian 27 Feb 93 p 15

[Article by Tacko Lokvenec: "Tobacco Crossroads in Prilep; Labor Leads to Poverty"]

[Text] *An army of temporary workers are cultivating a crop that is both most promising but also most disappointing. When standards decline tobacco production prospers. Inflation is the biggest enemy of tobacco growers.*

The situation with tobacco production in Macedonia is so serious that in no case should people unfamiliar with it be allowed to resolve it! But who are those who claim to be thoroughly familiar with it? Only the market and no one else!

The above was an excerpt from a discussion with tobacco growers- intellectuals who, of late, in Prilep may be found more in the fields than as professors teaching in schools, physicians in hospitals, or engineers in factories.... This is the result of unemployment. When people have no work they "go back" to the land, to that eternal reserve alternate option for survival. Prilep is the largest tobacco growing area in this part of the Balkans. It has been known since ancient times as the "most sticky" (for the highest amount of nicotine tar it contains) and is rated as the most demanded and best tobacco in the world!

You may offer to the rest of the world any type of tobacco you wish, but those who are familiar with this "yellow weed" will demand only one variety—"Prilep"—which has been a symbol of prestige as early as the 1890's, since the time of the great but modest Rudolf Gornik. What is the status of tobacco growing in Prilep, and what are its prospects?

#### There Are the People and There Is the Tobacco

The arguments may be old but worth repeating. In a single year an army of 40,000 tobacco growers—daily workers—has been at work in the Prilep tobacco growing area. They raise the crops which, after curing, offers the greatest promise but, when the time to be paid for it comes, is also the most disappointing. That is why in recent years tobacco production is being described in Prilep as "poverty in exchange for labor." Such was not always the case. Everyone remembers the 1960's, when Maridor and Prilep were officially declared to be the richest cities in the area between Sezana and Gevgelija! Why precisely Prilep? Both then and now, the Prilep tobacco area yielded about 7 million kilograms of tobacco, first-rate in quality and aroma, and exclusively grown for the demanding foreign market. Unlike the present, when inflation is bringing real devastation with unparalleled speed and is reducing human labor to nothing, at that time there was no inflation. This means that inflation is the first enemy of tobacco and tobacco growers.

## YUGOSLAVIA

That is why in 1965 a Prilep family cultivating four decares had enough money to build its own house. Today the daily workers cultivating the tobacco can barely survive and get into debt between tobacco crops.

Although described as "yellow gold," actually tobacco is a sign of poverty. As a result of the industrial expansion, when a large number of factories, industrial facilities, and workshops were built here, the thinking was that this would mark the end of tobacco growing. Meanwhile, the people of Prilep, although employed in the factories, did not abandon their fields. And now, after all that has happened, it does not take too much thinking to realize who harmed whom: Did the field harm the factory or the factory harm the field? In any case, today both the field and the factory are paupers. The field is poor because it does not meet the financial hopes of the tobacco growers and the factory is poor because it works poorly.

#### Impeccable Relations

The tobacco phenomenon is the following: When a person's situation is good, he avoids tobacco; when he feels socially threatened, he goes back to tobacco. In a good prosperous period the number of tobacco producers in Prilep drops to about 7,500 to 8,000 workers; at other times, the list of the people contracting with the Tobacco Combine could reach 12,000.

So far, no case of poor relations between tobacco growers and the Tobacco Combine has been registered in Prilep. On the contrary, although the situation of the Tobacco Combine, as the only purchaser of the tobacco crop in this area enjoys a monopoly status, concern for its "base" is more than obvious. In the period when cooperation relations were developed extensive opportunities appeared for collaboration despite classical bureaucratic errors which obstructed such processes. No one could accuse the Tobacco Combine of not investing funds in the development of tobacco production in that area. Efforts were made to mechanize manual labor and efficiently shorten the time between sowing and curing, and providing prompt and successful safeguards.... There also were projects that began successfully but ended poorly, such as the watering problem. To this day there are people who cannot forgive some managers in the combine who unfairly blocked the process of building small dams to help irrigate tobacco fields.

Of late strikes by tobacco growers have culminated the problems affecting Macedonian agriculture! The undermining power of inflation has spared no one, least of all those who worry about their daily bread.

Who is to be blamed? Least of all the tobacco grower. He is providing what is asked of him. Yet what does he get? The denar loses its value between the time that he starts seeding in the first furrow to the final curing. Usually in Prilep the initial preparations for a strike begin by "crushing" the leaders of the most powerful enterprise. At that point the people ask for everything other than what is most important, which is to find a yardstick that

would give some value to the labor of the tobacco producers, severely affected by the inflation.

The outsiders' "judgment" of dissatisfied individual tobacco producers who set fire to their tobacco as a sign of protest against the weaknesses shown by Makedonijatabak, for instance, or anywhere else, seems naive. This is not only in poor taste but is also the wrong way leading to the objective. The truth of the serious situation in Macedonian tobacco production lies somewhere between the state, the enterprise, and the market. Priority must be given to regulating relations on this level. Anything else becomes a matter of deception and of the unknown.

#### \* Record Sale of Macedonian Tobacco

93BA0778B Skopje NOVA MAKEDONIJA in  
Macedonian 10 Mar 93 pp 1, 3

[Report by B. Dicevska: "Exports Worth \$106 Million"]

[Text] *This is a record figure for all Makedonijatabak exports of tobacco and cigarettes from the Republic. The expected exports for this year are estimated at \$100 million.*

The Republic of Macedonia earned \$106 million in foreign currency from tobacco and cigarette exports. This sets a record in the exports by Makedonijatabak of tobacco and cigarettes sold by the Republic. So far, the highest earnings in foreign exchange from tobacco and cigarettes from the Republic had not exceeded about \$75 million.

As noted by Straso Nelkovski, Makedonijatabak general director, cigarette exports alone earned \$46 million. This increased marketing of cigarettes, which exceeds 100 percent and accounts for the highest share of participation in all earnings of foreign exchange, was registered for the first time last year. This is best illustrated by the accomplishments in the previous year, when cigarette exports did not exceed \$18 million. Also noteworthy are the increased export deals of cured tobacco not only to the old traditional market but to other countries as well. This is best illustrated by exports to Japan, where so far the "Jaka" tobacco variety was sold, although of late there has been great interest in the "Prilep" variety as well. As a result of this, the old exports of about 400 metric tons of tobacco annually to Japan have now reached 1,000 tons. Good export results have been achieved on the U.S. market. However, possibilities for a further increase of export deals to that area should be considered through the lens of a certain reorientation of domestic tobacco production and the choice of tobacco seeds and the development of good production quality consistent with the needs of the foreign partners.

According to this year's plan, Makedonijatabak anticipates earnings of about \$100 million from the export of tobacco and cigarettes. This is as much as the foreign exchange earned the previous year. This plan is attainable, particularly when we know that it is a question of

already developed markets and, above all, the marketing and selling of cured tobacco. However, as of now we can see certain difficulties, particularly in the marketing of cigarettes. It is true that, for the time being, greater opportunities are being seen in developing markets in the Eastern European countries that, actually, have a less-developed cigarette industry and where deals will be based on so-called barter arrangements. Another good market potential is the former Soviet Union, for which reason we must make proper decisions resulting in the greater development of this market. However, nor should we ignore possibilities for increased marketing of cigarettes in the former Yugoslav republics. For the time being, sales on those markets are difficult above all because of the unsettled relations facilities and relations, as well as the lack of legal stipulations in resolving such difficulties. In order to regulate relations with those areas it is urgently necessary to pass the necessary laws on the basis of which overall state relations will be regulated as well, the more so since in no case should we dare to abandon such markets. On the contrary, they must be retained, particularly when we bear in mind that so far

the markets of the former Yugoslav republics accounted for as much as 10,000 tons of cigarettes out of an overall annual Macedonian output of about 14,000 tons. However, this is not only because our domestic industry for cigarette production is based on the needs and possibilities of the former Yugoslav republics but, above all, because we are interdependent and interconnected in procuring and exchanging other necessary goods. This can be achieved on the basis of compensatory and other arrangements, providing that intergovernmental relations are settled in accordance with approved and drafted corresponding laws. Unfortunately, due to parliamentary disputes, very little attention is being paid to these and similar difficulties experienced by the overall Republic economy which, it appears, has been sidetracked. Hence, justifiably Makedonijatabak stresses that reaching last year's foreign currency earnings and the planned export of tobacco and cigarettes depend on reestablishing relations with the former Yugoslav republics and that currently increasing the marketing of cigarettes is considered to be possible by increasing export possibilities for markets of other foreign countries.

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